COCA COLA FEMSA SAB DE CV
Form 20-F
June 10, 2010

As filed with the Securities and Exchange Commission on June 10, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009
Commission file number 1-12260

Coca-Cola FEMSA, S.A.B. de C.V.
(Exact name of registrant as specified in its charter)

Not Applicable
(Translation of registrant s name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Guillermo González Camarena No. 600
Centro de Ciudad Santa Fé
01210 México, D.F., México
(Address of principal executive offices)

José Castro
Guillermo González Camarena No. 600
Centro de Ciudad Santa Fé 01210 México, D.F., México
(52-55) 5081-5148
irelations@kof.com.mx
(Name, telephone, e-mail and/or facsimile number and
address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 10 Series L Shares, without par value	New York Stock Exchange, Inc.
Series L Shares, without par value	New York Stock Exchange, Inc. (not for trading, for listing purposes only)

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
The number of outstanding shares of each class of capital or common stock as of December 31, 2009 was:

992,078,519	Series A Shares, without par value
583,545,678	Series D Shares, without par value
270,906,004	Series L Shares, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

¨ Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

¨ Yes ¨ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ IFRS ¨ Other x

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

¨ Item 17 x Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes	x No

TABLE OF CONTENTS

		Page
	Introduction	1
Item 1.	Not Applicable	2
Item 2.	Not Applicable	2
Item 3.	Key Information	2
	Selected Consolidated Financial Data	2
	Dividends and Dividend Policy	6
	Exchange Rate Information	7
	Risk Factors	8
Item 4.	Information on the Company	15
	The Company	15
	Regulation	29
	Bottler Agreements	35
	Description of Property, Plant and Equipment	37
	Significant Subsidiaries	39
Item 4A.	Unresolved Staff Comments	40
Item 5.	Operating and Financial Review and Prospects	40
Item 6.	Directors, Senior Management and Employees	61
Item 7.	Major Shareholders and Related Party Transactions	76
	Major Shareholders	76
	Related Party Transactions	80
Item 8.	Financial Information	83
	Consolidated Statements and Other Financial Information	83
	Legal Proceedings	83
Item 9.	The Offer and Listing	85
	Trading Markets	85
	Trading on the Mexican Stock Exchange	86
Item 10.	Additional Information	87
	Bylaws	87
	Material Agreements	95
	Taxation	96
	Documents on Display	99
Item 11.	Quantitative and Qualitative Disclosures about Market Risk	100
Item 12.	Description of Securities Other than Equity Securities	104
Item 12.A.	Debt Securities	104
	Warrants and Rights	104

Item 12.B.		
Item 12.C.	Other Securities	104
Item 12.D.	American Depositary Shares	104
Items 13-14.	Not Applicable	105
Item 15.	Controls and Procedures	105
Item 16A.	Audit Committee Financial Expert	106
Item 16B.	Code of Ethics	107
Item 16C.	Principal Accountant Fees and Services	107
Item 16D.	Not Applicable	108
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	108
Item 16F.	Not Applicable	108
Item 16G.	Corporate Governance	108
Item 17.	Not Applicable	110
Item 18.	Financial Statements	110
Item 19.	Exhibits	110

INTRODUCTION

References

Unless the context otherwise requires, the terms Coca-Cola FEMSA, our company, we, us and our are used i annual report to refer to Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries on a consolidated basis.

References herein to U.S. dollars, US$, dollars or $ are to the lawful currency of the United States of America. References herein to Mexican pesos or Ps. are to the lawful currency of Mexico.

Sparkling beverages as used in this annual report refers to nonalcoholic carbonated beverages. Still beverages refers to nonalcoholic non-carbonated beverages. Non-flavored waters, whether or not carbonated, are referred to as waters.

References to *Coca-Cola* trademark beverages in this annual report refer to products described in Item 4. Information on the Company The Company Our Products.

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 13.0576 to US$ 1.00, the exchange rate for Mexican pesos on December 31, 2009, according to the U.S. Federal Reserve Board. On June 4, 2010, this exchange rate was Ps. 12.8825 to US$ 1.00. See Item 3. Key Information Exchange Rate Information for information regarding exchange rates since January 1, 2005.

To the extent that estimates are contained in this annual report, we believe such estimates, which are based on internal data, are reliable. Amounts in this annual report are rounded, and the totals may therefore not precisely equal the sum of the numbers presented.

Sources

Certain information contained in this annual report has been computed based upon statistics prepared by the *Instituto Nacional de Estadística y Geografía* of Mexico (the National Institute of Statistics and Geography), the Federal Reserve Bank of New York, the U.S Federal Reserve Board, the *Banco de México* (the Central Bank of Mexico), the *Comisión Nacional Bancaria y de Valores* of Mexico (the National Banking and Securities Commission, or the CNBV), local entities in each country and upon our estimates.

Forward-Looking Information

This annual report contains words such as believe, expect, anticipate and similar expressions that identify forward-looking statements. Use of these words reflects our views about future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to, effects on our company from changes in our relationship with The Coca-Cola Company, movements in the prices of raw materials, competition, significant developments in economic or political conditions in Latin America or changes in our regulatory environment. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these

statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 1. Not Applicable

Item 2. Not Applicable

Item 3. Key Information

SELECTED CONSOLIDATED FINANCIAL DATA

This annual report includes (under Item 18) our audited consolidated balance sheets as of December 31, 2009 and 2008 and the related consolidated statements of income and changes in shareholders equity for the years ended December 31, 2009, 2008 and 2007, the consolidated statement of cash flows for the years ended December 31, 2009 and 2008 and consolidated statement of changes in financial position for the year ended December 31, 2007. Our consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards, which we sometimes refer to as Mexican FRS. Mexican Financial Reporting Standards differ in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Notes 26 and 27 to our consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, together with reconciliation to U.S. GAAP of net income and shareholders equity.

Through December 31, 2007, Mexican Financial Reporting Standards required us to recognize effects of inflation in our financial statements and reexpress financial statements from prior periods in constant pesos as of the end of the most recent period presented. For periods beginning in 2008, we adopted *Norma de Información Financiera* (NIF) B-10 Effects of Inflation under Mexican Financial Reporting Standards. Under this rule, the previous inflation accounting rules requiring us to reexpress prior years to reflect the impact of current period inflation no longer apply, unless the economic environment in which we operate qualifies as inflationary pursuant to Mexican Financial Reporting Standards. An economic environment is inflationary if the cumulative inflation equals or exceeds an aggregate of 26% over the preceding three consecutive years. As a result, we ceased to recognize the effects of inflation on our financial information for our subsidiaries in Mexico, Guatemala, Panama, Colombia and Brazil. For the rest of our subsidiaries in Argentina, Venezuela, Costa Rica and Nicaragua, we continue applying inflationary accounting.

The three year cumulative inflation rate for Venezuela was 87.5% for the period 2006 through 2008. The three year cumulative inflation rate for Venezuela was 101.6% as of December 31, 2009. Accordingly, the Company anticipates that Venezuela will be accounted for as a hyper-inflationary economy for U.S. GAAP purposes beginning January 1, 2010.

Pursuant to Mexican Financial Reporting Standards, the information presented in this annual report presents financial information for 2009 and 2008 in nominal terms that has been presented in Mexican pesos, taking into account local inflation of each inflationary economic environment and converting from local currency to Mexican pesos using the official exchange rate at the end of the period published by the local central bank of each country categorized as an inflationary economic environment. For each non-inflationary economic environment, local currency is converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for shareholders equity and the average exchange rate for the income statement. Our financial information for 2007 is expressed in constant pesos as of December 31, 2007.

Pursuant to Mexican Financial Reporting Standards, in our consolidated financial statements and the selected financial information set forth below:

In inflationary economic environments, the figures are restated for inflation based on the local consumer price index.

In inflationary economic environments, gains and losses in purchasing power from holding monetary liabilities or assets are recognized in the Comprehensive financing result line in the income statement.

2

Financial statements for 2009 and 2008 are stated in nominal Mexican pesos and figures for 2007 are stated in constant Mexican pesos as of the end of 2007.

Beginning in 2008, as a result of discontinuing inflationary accounting for subsidiaries that operate in non-inflationary economic environments, the financial statements are no longer considered to be presented in a reporting currency that comprehensively includes the effects of price level changes; therefore, the inflationary effects of inflationary economic environments arising in 2008 and 2009 result in a difference to be reconciled for U.S. GAAP purposes. For the year ended December 31, 2007, the effects of inflation accounting under Mexican Financial Reporting Standards have not been reversed in the reconciliation to U.S. GAAP of net income and equity. See Notes 26 and 27 to our consolidated financial statements.

Our non-Mexican subsidiaries maintain their accounting records in the currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into Mexican Financial Reporting Standards and reported in Mexican pesos under these standards.

The following table presents selected financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto. The selected financial information contained herein is presented on a consolidated basis, and is not necessarily indicative of our financial position or results of operations at or for any future date or period. See Note 4 to our consolidated financial statements for our significant accounting policies.

	Year Ended December 31,					
	2009[1]	**2009**	**2008[2]**	**2007**	**2006**	**2005**
	(2009 and 2008 in millions of Mexican pesos or millions of U.S. dollars; previous years in millions of constant Mexican pesos as of December 31, 2007, except share and per share data)					
Income Statement Data:						
Mexican FRS						
Total revenues	US$ 7,870	Ps. 102,767	Ps. 82,976	Ps. 69,251	Ps. 64,046	Ps. 59,642
Cost of goods sold	4,209	54,952	43,895	35,876	33,740	30,553
Gross profit	3,661	47,815	39,081	33,375	30,306	29,089
Operating expenses	2,449	31,980	25,386	21,889	20,013	19,074
Income from operations	1,212	15,835	13,695	11,486	10,293	10,015
Comprehensive financing result	104	1,373	3,552	345	1,195	1,590
Other expenses, net	111	1,449	1,831	702	1,046	705
Income taxes	310	4,043	2,486	3,336	2,555	2,698
Net income	687	8,970	5,826	7,103	5,497	5,022
Net controlling income	653	8,523	5,598	6,908	5,292	4,895
Net non-controlling income	34	446	228	195	205	127
Basic and diluted, net income per share[3]	0.35	4.62	3.03	3.74	2.86	2.60
U.S. GAAP						
Total revenues	US$ 7,688	Ps. 100,393	Ps. 81,099	Ps. 69,131	Ps. 59,940	Ps. 54,196
Cost of goods sold	4,161	54,335	43,490	36,118	31,426	27,789
Gross profit	3,527	46,058	37,609	33,013	28,514	26,407
Operating expenses	2,439	31,843	25,567	22,279	19,773	17,658
Income from operations	1,089	14,215	12,042	10,734	8,741	8,749
Comprehensive financing result	134	1,752	3,917	278	1,142	1,255
Other expenses, net	17	226	440	241	(124)	98
Income taxes	270	3,525	1,987	3,272	2,420	2,467

Net income[4]	678	8,853	5,802	6,953	5,280	4,937
Net controlling income	644	8,407	5,571	6,765	5,104	4,809
Net non-controlling income	34	446	231	188	176	128
Basic and diluted net income per share[3]	0.35	4.55	3.02	3.66	2.76	2.60

4

Table of Contents

Balance Sheet Data:						
Mexican FRS						
Cash, cash equivalents and marketable securities	US$ 746	Ps. 9,740	Ps. 6,192	Ps. 7,542	Ps. 4,641	Ps. 2,037
Other current assets	1,064	13,899	11,800	9,919	7,301	6,224
Property, plant and equipment, net	2,393	31,242	28,236	23,709	23,362	23,196
Intangible assets, net	3,898	50,898	47,453	42,458	41,064	40,701
Other assets, net	374	4,882	4,277	3,550	3,497	3,005
Total assets	8,475	110,661	97,958	87,178	80,427	76,214
Short-term bank loans and notes payable	416	5,427	6,119	4,814	3,419	4,988
Other current liabilities	1,380	18,021	15,214	11,496	9,904	9,216
Long-term bank loans and notes payable	804	10,498	12,455	14,102	16,799	16,952
Other long-term liabilities	631	8,243	6,554	5,985	5,850	5,730
Total liabilities	3,231	42,189	40,342	36,397	35,972	36,886
Shareholders equity	5,244	68,472	57,616	50,781	44,454	39,329
Capital stock	239	3,116	3,116	3,116	3,116	3,116
Non-controlling interest in consolidated subsidiaries	176	2,296	1,703	1,641	1,475	1,299
Controlling interest	5,068	66,176	55,913	49,140	42,979	38,030
U.S. GAAP						
Cash, cash equivalents and marketable securities	US$ 746	Ps. 9,740	Ps. 6,192	Ps. 7,542	Ps. 5,074	Ps. 2,674
Other current assets	1,144	14,936	12,493	10,523	6,868	5,587
Property, plant and equipment, net	2,285	29,835	28,045	23,044	21,258	20,645
Intangible assets, net	3,778	49,336	46,580	42,458	41,088	40,685
Other assets, net	351	4,582	4,663	5,015	4,266	3,583
Total assets	8,304	108,429	97,973	88,582	78,554	73,174
Short-term bank loans and notes payable	416	5,427	6,119	4,814	3,289	4,780
Other current liabilities	1,381	18,033	15,226	11,430	9,329	8,283
Long-term bank loans and notes payable	804	10,497	12,455	14,102	16,789	16,921
Other long-term liabilities	646	8,435	7,705	7,111	6,117	5,715

Total liabilities		3,247		42,392		41,505		37,457		35,524		35,699
Equity[4]		5,057		66,037		56,468		51,125		43,030		37,475
Non-controlling interest in consolidated subsidiaries		179		2,333		1,707		1,653		1,260		1,036
Controlling interest		4,879		63,704		54,761		49,472		41,770		36,439
Capital stock		239		3,116		3,116		3,116		3,116		3,116
Other Data:												
Mexican FRS												
Depreciation[5][6]	US$	266	Ps.	3,472	Ps.	3,022	Ps.	2,586	Ps.	2,625	Ps.	2,476
Capital expenditures[7]		481		6,282		4,802		3,682		2,863		2,516
U.S. GAAP												
Depreciation[5][6][8]	US$	283	Ps.	3,696	Ps.	3,151	Ps.	2,717	Ps.	2,483	Ps.	2,261

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 13.0576 to US$ 1.00 solely for the convenience of the reader.
(2) Includes results from the operations of REMIL as of June 1, 2008. See Item 4 Information on the Company The Company Corporate History.

(3) Computed on the basis of 1,846.5 million shares outstanding.
(4) Certain figures for years prior to 2009 have been reclassified for comparison purposes to 2009 figures. See Note 26(k) to our audited consolidated financial statements.
(5) Excludes estimated breakage of bottles and cases and amortization of other assets. See the consolidated statement of cash flows for 2009 and 2008 and the consolidated statement of changes in financial position for 2007 included in our consolidated financial statements.
(6) Includes depreciation of coolers reclassified to property, plant and equipment during 2009. Figures for previous years have been restated for comparison purposes.
(7) Includes investments in property, plant and equipment, and deferred charges, net of the book value of disposed assets.
(8) Expressed in historical Mexican pesos.

DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the nominal amount in Mexican pesos of dividends declared and paid per share each year and the U.S. dollar amounts on a per share basis actually paid to holders of American Depositary Shares, which we refer to as ADSs, on each of the respective payment dates.

Fiscal Year with Respect to which Dividend was Declared	Date Dividend Paid	Mexican Pesos per Share (Nominal)	U.S. Dollars per Share[1]
2005	June 15, 2006	0.376	0.033
2006	May 15, 2007	0.438	0.041
2007	May 6, 2008	0.512	0.049
2008	April 13, 2009	0.727	0.054
2009	April 26, 2010	1.410	0.116

(1) Expressed in U.S. dollars using the exchange rate applicable when the dividend was paid.

The declaration, amount and payment of dividends are subject to approval by a simple majority of the shareholders up to an amount equivalent to 20% of the preceding years accumulated net income and by a majority of shareholders of each of Series A and Series D Shares voting together as a single class above 20% of the preceding years accumulated net income, generally upon the recommendation of our board of directors, and will depend upon our operating results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, our historical dividend payments are not necessarily indicative of future dividends.

The declaration, amount and payment of dividends prior to the amendment to our bylaws as adopted at our extraordinary shareholders meeting held on April 14, 2010, following an amendment to the shareholders agreement between our main shareholders, were subject to approval by a simple majority of the shareholders of our voting

shares.

Holders of Series L Shares, including in the form of ADSs, are not entitled to vote on the declaration and payments of dividends.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate expressed in Mexican pesos per U.S. dollar.

Period	Exchange Rate			
	High	Low	Average[1]	End of Period
2005	Ps. 11.41	Ps. 10.41	Ps. 10.87	Ps. 10.63
2006	11.46	10.43	10.90	10.80
2007	11.27	10.67	10.93	10.92
2008	13.94	9.92	11.21	13.83
2009	15.41	12.63	13.58	13.06

Source: The Federal Reserve Bank of New York and U.S. Federal Reserve Board
(1) Average month-end rates.

	Exchange Rate		
	High	Low	End of Period
2008:			
First Quarter	Ps. 10.97	Ps. 10.63	Ps. 10.63
Second Quarter	10.60	10.27	10.30
Third Quarter	10.97	9.92	10.97
Fourth Quarter	13.94	10.97	13.83
2009:			
First Quarter	Ps. 15.41	Ps. 13.33	Ps. 14.21
Second Quarter	13.89	12.88	13.17
Third Quarter	13.80	12.82	13.48
Fourth Quarter	13.67	12.63	13.06
December	13.08	12.63	13.06
2010:			
First Quarter	Ps. 13.19	Ps. 12.30	Ps. 12.30
January	13.03	12.65	13.03
February	13.19	12.76	12.76
March	12.74	12.30	12.30
April	12.41	12.16	12.23

May	13.13	12.26	12.86

Source: The Federal Reserve Bank of New York and the U.S. Federal Reserve Board

On June 4, 2010, the exchange rate was Ps. 12.8825 to US$ 1.00, according to the U.S. Federal Reserve Board.

We pay all cash dividends in Mexican pesos. As a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of our ADSs, which represent ten Series L Shares, on conversion by the depositary for our ADSs of cash dividends on the shares represented by such ADSs. In addition, fluctuations in the exchange rate between the Mexican peso and the U.S. dollar would affect the market price of our ADSs.

RISK FACTORS

Risks Related to Our Company

Our business depends on our relationship with The Coca-Cola Company, and changes in this relationship may adversely affect our results of operations and financial condition.

Approximately 99% of our sales volume in 2009 was derived from sales of *Coca-Cola* trademark beverages. We produce, market and distribute *Coca-Cola* trademark beverages through standard bottler agreements in certain territories in Mexico and Latin America, which we refer to as our territories. See Item 4. Information on the Company The Company Our Territories. Through its rights under our bottler agreements and as a large shareholder, The Coca-Cola Company has the right to participate in the process utilized for the making of important decisions of our business.

The Coca-Cola Company may unilaterally set the price for its concentrate. In addition, under our bottler agreements, we are prohibited from bottling or distributing any other beverages without The Coca-Cola Company s authorization or consent, and we may not transfer control of the bottler rights of any of our territories without the consent of The Coca-Cola Company.

The Coca-Cola Company also makes significant contributions to our marketing expenses, although it is not required to contribute a particular amount. Accordingly, The Coca-Cola Company may discontinue or reduce such contributions at any time.

We depend on The Coca-Cola Company to renew our bottler agreements. In Mexico, we have four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. Our bottler agreements with The Coca-Cola Company will expire for our territories in the following countries: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014. All of our bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, these agreements generally may be terminated in the case of material breach. See "Item 4. Information on the Company Bottler Agreements." Termination would prevent us from selling *Coca-Cola* trademark beverages in the affected territory and would have an adverse effect on our business, financial conditions, results of operations and prospects.

The Coca-Cola Company and FEMSA have substantial influence on the conduct of our business, which may result in us taking actions contrary to the interests of our remaining shareholders.

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. Currently, The Coca-Cola Company indirectly owns 31.6% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint four of our 18 directors and the vote of at least two of them is required to approve certain actions by our board of directors. FEMSA indirectly owns 53.7% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 11 of our 18 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement. The interests of The Coca-Cola Company and FEMSA may be different

from the interests of our remaining shareholders, which may result in us taking actions contrary to the interests of our remaining shareholders.

We have significant transactions with affiliates, particularly The Coca-Cola Company and FEMSA, which may create the potential for conflicts of interest and could result in less favorable terms to us.

We engage in transactions with subsidiaries of both The Coca-Cola Company and FEMSA. Our main transactions with FEMSA include supply agreements under which we purchase certain supplies and equipment, a service agreement under which a FEMSA subsidiary transports finished products from our production facilities to distribution facilities in Mexico, sales of finished products to Oxxo, a Mexican convenience store chain owned by FEMSA, a service agreement under which a FEMSA subsidiary provides administrative services to us, and sales and distribution agreements with Cervejarias Kaiser Brasil S.A., or Cervejarias Kaiser, a Brazilian subsidiary of FEMSA Cerveza, S.A. de C.V., or FEMSA Cerveza, a brewer formerly owned by FEMSA with operations in Mexico and Brazil. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed. We have agreed with Cervejarias Kaiser to continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangements in place since 2006. See Item 4. Information on the Company The Company Product and Packaging Mix Mercosur (Brazil and Argentina). In addition, we have entered into cooperative marketing arrangements with The Coca-Cola Company and FEMSA. We are a party to a number of bottler agreements with The Coca-Cola Company. We also have agreed to jointly develop still beverages and waters in our territories with The Coca-Cola Company and have entered into agreements to jointly acquire companies with The Coca-Cola Company. See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions.

Our transactions with related parties may create the potential for conflicts of interest, which could result in terms less favorable to us than could be obtained from an unaffiliated third party.

Competition could adversely affect our financial performance.

The beverage industry in the territories in which we operate is highly competitive. We face competition from other bottlers of sparkling beverages such as *Pepsi* products, and from producers of low cost beverages or B brands. We also compete in different beverage categories, other than sparkling beverages, such as water, juice-based beverages and sport drinks. Although competitive conditions are different in each of our territories, we compete principally in terms of price, packaging, consumer sales promotions, customer service and product innovation. See Item 4. Information on the Company The Company Competition. There can be no assurances that we will be able to avoid lower pricing as a result of competitive pressure. Lower pricing, changes made in response to competition and changes in consumer preferences may have an adverse effect on our financial performance.

Changes in consumer preference could reduce demand for some of our products.

The non-alcoholic beverage industry is rapidly evolving as a result of, among other things, changes in consumer preferences. Specifically, consumers are becoming increasingly more aware of and concerned about environmental and health issues. Concerns over the environmental impact of plastic may reduce the consumption of our products sold in plastic bottles or result in additional taxes that would adversely affect consumer demand. In addition, researchers, health advocates and dietary guidelines are encouraging consumers to reduce their consumption of certain types of beverages sweetened with sugar and high fructose corn syrup, which could reduce demand for certain of our products. A reduction in consumer demand would adversely affect our results of operations.

Water shortages or any failure to maintain existing concessions could adversely affect our business.

Water is an essential component of all of our products. We obtain water from various sources in our territories, including springs, wells, rivers and municipal and state water companies pursuant to either contracts to obtain water or

pursuant to concessions granted by governments in our various territories.

We obtain the vast majority of the water used in our production pursuant to concessions to exploit wells, which are generally granted based on studies of the existing and projected groundwater supply. Our existing water

concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on receiving necessary authorizations from local and/or federal water authorities. See Item 4. Information on the Company Regulation Water Supply Law. In some of our other territories, our existing water supply may not be sufficient to meet our future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs.

Increases in the prices of raw materials would increase our cost of goods sold and may adversely affect our results of operations.

Our most significant raw materials are (1) concentrate, which we acquire from affiliates of The Coca-Cola Company, (2) packaging materials and (3) sweeteners. Prices for concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Brazil beginning in 2006 and in Mexico beginning in 2007. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009, but we may experience further increases in the future. The prices for our remaining raw materials are driven by market prices and local availability as well as the imposition of import duties and import restrictions and fluctuations in exchange rates. We are also required to meet all of our supply needs from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to us. Our sales prices are denominated in the local currency in each country in which we operate, while the prices of certain materials, including those used in the bottling of our products, mainly resin, ingots to make plastic bottles, finished plastic bottles, aluminum cans and high fructose corn syrup, are paid in or determined with reference to the U.S. dollar, and therefore may increase if the U.S. dollar appreciates against the currency of the countries in which we operate, as was the case in 2008 and 2009. See Item 4. Information on the Company The Company Raw Materials.

Our most significant packaging raw material costs arise from the purchase of resin and plastic ingots to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are tied to crude oil prices and global resin supply. The average prices that we paid for resin and plastic ingots in U.S. dollars decreased significantly in 2009 and in 2008 as compared to 2007, although we did not benefit from these prices decreases due to the devaluation of the Mexican peso against the U.S. dollar in 2009. Prices may increase in future periods. Sugar prices worldwide have been volatile during 2009, mainly due to a production shortfall in India, one of the largest global producers of sugar. Sugar prices in all of the countries in which we operate other than Brazil are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar. Average sweetener prices paid during 2009 were higher as compared to 2008 in all of the countries in which we operate. See Item 4. Information on the Company The Company Raw Materials Mercosur (Brazil and Argentina). We cannot assure you that our raw material prices will not further increase in the future. Increases in the prices of raw materials would increase our cost of goods sold and adversely affect our financial performance.

In Venezuela, sugar supply was affected in 2009. See Item 4. Information on the Company The Company Raw Materials Venezuela. We cannot assure you that we will be able to meet our sugar requirements in the long term if sugar supply conditions do not improve in Venezuela.

Taxes could adversely affect our business.

The countries in which we operate may adopt new tax laws or modify existing law to increase taxes applicable to our business. For example, in Mexico, a general tax reform become effective on January 1, 2010, pursuant to which,

as applicable to us, there will be a temporary increase in the income tax rate from 28% to 30% from 2010 through 2012. This increase will be followed by a reduction to 29% for the year 2013 and a further reduction in 2014 to return to the previous rate of 28%. In addition, the value added tax (VAT) rate increased in 2010 from 15% to 16%. This increase might affect demand for, and consumption of, our products and, consequently, our financial performance.

Our products are also subject to certain taxes in many of the countries in which we operate. Certain countries in Central America, Brazil and Argentina also impose taxes on sparkling beverages. See Item 4. Information on the Company Regulation Taxation of Sparkling Beverages. We cannot assure you that any governmental authority in any country where we operate will not impose new taxes or increase taxes on our products in the future.

The imposition of new taxes or increases in taxes on our products may have a material adverse effect on our business, financial condition, prospects and results of operations.

Regulatory developments may adversely affect our business.

We are subject to regulation in each of the territories in which we operate. The principal areas in which we are subject to regulation are environment, labor, taxation, health and antitrust. Regulation can also affect our ability to set prices for our products. See Item 4. Information of the Company Regulation. The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries in which we operate may increase our operating costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business and results of operations. In particular, environmental standards are becoming more stringent in several of the countries in which we operate, and we are in the process of complying with these standards, although we cannot assure you that we will be able to meet any timelines for compliance established by the relevant regulatory authorities. See Item 4. Information of the Company Regulation Environmental Matters. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results of operations or financial condition.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. We are currently subject to price controls in Argentina. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on our results of operations and financial position. See Item 4. Information on the Company Regulation Price Controls. We cannot assure you that governmental authorities in any country where we operate will not impose statutory price controls or that we will need to implement voluntary price restraints in the future.

In January 2010, the Venezuelan government amended the *Ley para la Defensa y Acceso a las Personas a los Bienes y Servicios* (Access to Goods and Services Defense Law). Any violation by a company that produces, distributes and sells goods and services could lead to fines, penalties or the confiscation of the assets used to produce, distribute and sell these goods without compensation. Although we believe we are in compliance with this law, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes could lead to an adverse impact on us.

Our operations have from time to time been subject to investigations and proceedings by antitrust authorities and litigation relating to alleged anticompetitive practices. We have also been subject to investigations and proceedings on environmental and labor matters. We cannot assure you that these investigations and proceedings could not have an adverse effect on our results of operations or financial condition. See Item 8. Financial Information Legal Proceedings.

Risks Related to the Series L Shares and the ADSs

Holders of our Series L Shares have limited voting rights.

Holders of our Series L Shares are entitled to vote only in certain circumstances. They generally may elect three of our 18 directors and are only entitled to vote on specific matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of

the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of our shares on the Mexican Stock Exchange or any other foreign stock exchange, and those matters for which the *Ley de Mercado de Valores* (Mexican Securities Market Law) expressly allow them to vote. As a result, Series L shareholders will not be able to influence our business or operations. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders and Item 10. Additional Information Bylaws Voting Rights, Transfer Restrictions and Certain Minority Rights.

Holders of ADSs may not be able to vote at our shareholder meetings.

Our shares are traded on the New York Stock Exchange (NYSE) in the form of ADSs. Holders of our shares in the form of ADSs may not receive notice of shareholders meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner.

The protections afforded to non-controlling interest shareholders in Mexico are different from those afforded to minority shareholders in the United States and investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.

Under the Mexican Securities Market Law, the protections afforded to non-controlling interest shareholders are different from, and may be less than, those afforded to minority shareholders in the United States as follows: (1) the Mexican Securities Market Law does not provide a remedy for shareholders relating to violations of fiduciary duties by our directors and officers, (2) there is no procedure for class actions as such actions are conducted in the United States and (3) there are different procedural requirements for bringing shareholder lawsuits for the benefit of companies. Therefore, it may be more difficult for non-controlling interest shareholders to enforce their rights against us, our directors or our controlling interest shareholders than it would be for minority shareholders of a United States company.

In addition, we are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States, and all or a substantial portion of our assets and the assets of our directors, officers and controlling persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws.

The enforceability against our directors, officers and controlling persons in Mexico in actions for enforcement of judgments of U.S. courts, and liabilities predicated solely upon the U.S. federal securities laws will be subject to certain requirements provided for in the Mexican Federal Civil Procedure Code and any applicable treaties. Some of the requirements may include personal service of process and that the judgments of U.S. courts are not against Mexican public policy. The Mexican Securities Market Law, which is considered Mexican public policy, provides that in the event of actions derived from any breach of the duty of care and the duty of loyalty against our directors and officers, any remedy would be exclusively for the benefit of the company. Therefore, investors would not be directly entitled to any remedies under such actions.

Developments in other countries may adversely affect the market for our securities.

The market value of securities of Mexican companies is, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors reaction to developments in one country can have effects on the securities of issuers in other countries, including Mexico. We cannot assure you that events elsewhere, especially in emerging markets, will not adversely affect the market value of our securities.

Holders of Series L Shares in the United States and holders of ADSs may not be able to participate in any capital offering and as a result may be subject to dilution of their equity interests.

Under applicable Mexican law, if we issue new shares for cash as a part of a capital increase, other than in connection with a public offering of newly issued shares or treasury stock, we are generally required to grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage.

Rights to purchase shares in these circumstances are known as preemptive rights. We may not legally allow holders of our shares or ADSs who are located in the United States to exercise any preemptive rights in any future capital increases unless (1) we file a registration statement with the United States Securities and Exchange Commission, or SEC, with respect to that future issuance of shares or (2) the offering qualifies for an exemption from the registration

requirements of the U.S. Securities Act of 1933, as amended. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares in the form of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We may decide not to file a registration statement with the SEC to allow holders of our shares or ADSs who are located in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, the sale by the ADS depositary of preemptive rights and the distribution of the proceeds from such sales to the holders of our shares in the form of ADSs is not possible. As a result, the equity interest of holders of our shares in the form of ADSs would be diluted proportionately. See Item 10. Additional Information Bylaws Preemptive Rights.

Risks Related to Mexico and the Other Countries in Which We Operate

Adverse economic conditions in Mexico may adversely affect our financial condition and results of operations.

We are a Mexican corporation, and our Mexican operations are our single most important geographic territory. For the year ended December 31, 2009, 35.8% of our total revenues were attributable to Mexico. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect the Mexican economy. Prolonged periods of weak economic conditions in Mexico may have, and in the past have had, a negative effect on our company and a material adverse effect on our results of operations and financial condition.

Our business may be significantly affected by the general condition of the Mexican economy, or by the rate of inflation and interest rates in Mexico and exchange rates for the Mexican peso. Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. In addition, an increase in interest rates in Mexico would increase the cost to us of variable rate, Mexican peso-denominated funding, which constituted approximately 37.3% of our total debt as of December 31, 2009 (after giving effect to cross-currency swaps and interest rate swaps), and have an adverse effect on our financial position and results of operations.

Depreciation of the Mexican peso relative to the U.S. dollar could adversely affect our financial condition and results of operations.

Depreciation of the Mexican peso relative to the U.S. dollar increases the cost to us of some of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and thereby may negatively affect our results of operations and financial position. Since the second half of 2008, the value of the Mexican peso relative to the U.S. dollar fluctuated significantly. According to the U.S. Federal Reserve Board during this period, the exchange rate registered a low of Ps. 9.9166 to US$ 1.00 at August 5, 2008, and a high of Ps. 15.4060 to US$ 1.00 at March 2, 2009. At June 4, the exchange rate was Ps. 12.8825 to US$ 1.00. See Exchange Rate Information and Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Currency Exchange Rate Risk.

We generally do not hedge our exposure to the U.S. dollar with respect to the Mexican peso and other currencies, other than with respect to our U.S. dollar-denominated debt obligations. A severe depreciation of the Mexican peso may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican

government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future. Currency fluctuations may have an adverse effect on our results of operations, financial condition and cash flows in future periods.

Political and social developments in Mexico could adversely affect our operations.

Mexican political and social developments may significantly affect our operations. Presidential elections in Mexico occur every six years, and the most recent election occurred in July 2006. The most recent election in the *Cámara de Diputados* (House of Representatives) occurred in July 2009, and although the *Partido Revolucionario Institucional* won a plurality of the seats, no single party currently has a majority in either chamber of the Mexican Congress. The absence of a clear majority by a single party in the Mexican Congress may result in government gridlock and political uncertainty. We cannot provide any assurances that political or social developments in Mexico, over which we have no control, will not have an adverse effect on Mexico s economic situation and on our business, financial condition or results of operations.

Economic and political conditions in the other Latin American countries in which we operate may increasingly adversely affect our business.

In addition to Mexico, we conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. Product sales and income from our combined non-Mexican operations increased as a percentage of our consolidated product sales and income from operations from 42.8% and 29.5%, respectively, in 2005 to 64.2% and 56.8%, respectively, in 2009. We expect this trend to continue in future periods. As a consequence, our future results will be increasingly affected by the economic and political conditions in the countries, other than Mexico, where we conduct operations.

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the other countries in which we operate. These conditions vary by country and may not be correlated to conditions in our Mexican operations. For example, Brazil and Colombia have a history of economic volatility and political instability. In Venezuela we face exchange rate risk as well as scarcity of and restrictions to import raw materials. Deterioration in economic and political conditions in any of these countries would have an adverse effect on our financial position and results of operations.

Depreciation of the local currencies of the countries in which we operate against the U.S. dollar may increase our operating costs. We have also operated under exchange controls in Venezuela since 2003 that affect our ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price paid for raw materials and services purchased in local currency. In January 2010, the Venezuelan government announced a devaluation of its official exchange rates and the establishment of a multiple exchange rate system of: (1) 2.60 bolivares to US$ 1.00 for high priority categories (2) 4.30 bolivares to US$ 1.00 for non-priority categories and (3) the recognition of the existence of other exchange rates which the government shall determine. We expect this devaluation will have an adverse impact on our financial results, by increasing our operating costs and by reducing the Mexican peso amounts from our Venezuelan operations reported in our financial statements as a result of the translation accounting rules under Mexican Financial Reporting Standards. The exchange rate that will be used to translate our financial statements as of January 2010 will be 4.30 bolivares per U.S. dollar. As of December 31, 2009, the financial statements were translated to Mexican pesos using the exchange rate of 2.15 bolivares per U.S. dollar. As a result of this devaluation, the balance sheet of our Venezuelan subsidiary will reflect a reduction in shareholders equity of approximately Ps. 3,700 million, accounted for in January 2010.

Future currency devaluation or the imposition of exchange controls in any of the countries in which we have operations would have an adverse effect on our financial position and results of operations.

We cannot assure you that political or social developments in any of the countries in which we have operations, over which we have no control, will not have a corresponding adverse effect on the economic situation and on our

business, financial condition or results of operations.

Item 4. Information on the Company

THE COMPANY

Overview

We are the largest bottler of *Coca-Cola* trademark beverages in Latin America, and the second largest in the world, calculated in each case by sales volume in 2009. We operate in territories in the following countries:

Mexico a substantial portion of central Mexico (including Mexico City and the states of Michoacán and Guanajuato) and southeast Mexico (including the Gulf region).

Central America Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).

Colombia most of the country.

Venezuela nationwide.

Brazil the area of greater São Paulo, Campinas, Santos, the state of Mato Grosso do Sul, part of the state of Minas Gerais and part of the state of Goiás.

Argentina Buenos Aires and surrounding areas.

Our company was organized on October 30, 1991 as a *sociedad anónima de capital variable* (a variable capital stock corporation) under the laws of Mexico with a duration of 99 years. On December 5, 2006, in response to amendments to the Mexican Securities Market Law, we became a *sociedad anónima bursátil de capital variable* (a variable capital listed stock corporation). Our legal name is Coca-Cola FEMSA, S.A.B. de C.V. Our principal executive offices are located at Guillermo González Camarena No. 600, Col. Centro de Ciudad Santa Fé, Delegación Álvaro Obregón, México, D.F., 01210, México. Our telephone number at this location is (52-55) 5081-5100. Our website is www.coca-colafemsa.com.

The following is an overview of our operations by segment in 2009.

Operations by Segment Overview
Year Ended December 31, 2009[1]

	Total Revenues	Percentage of Total Revenues	Income from Operations	Percentage of Income from Operations
Mexico	36,785	36%	6,849	43%
Latincentro[2]	15,993	15%	2,937	19%
Venezuela	22,430	22%	1,815	11%

Mercosur[3]	27,559	27%	4,234	27%
Consolidated	102,767	100%	15,835	100%

(1) Expressed in millions of Mexican pesos, except for percentages.

(2) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(3) Includes Brazil and Argentina.

15

Corporate History

We are a subsidiary of FEMSA, which also owns Oxxo, the largest Mexican convenience store chain, and which formerly owned FEMSA Cerveza, a brewer with operations in Mexico and Brazil. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed.

In 1979, a subsidiary of FEMSA acquired certain sparkling beverage bottlers that are now a part of our company. At that time, the acquired bottlers had 13 Mexican distribution centers operating 701 distribution routes, and their production capacity was 83 million physical cases. In 1991, FEMSA transferred its ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., the corporate predecessor to Coca-Cola FEMSA, S.A.B. de C.V.

In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30% of our capital stock in the form of Series D Shares for US$ 195 million. In September 1993, FEMSA sold Series L Shares that represented 19% of our capital stock to the public, and we listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the New York Stock Exchange. In a series of transactions between 1994 and 1997, we acquired territories in Argentina and additional territories in southern Mexico.

In May 2003, we acquired Panamerican Beverages, or Panamco, and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and the gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories. As a result of the acquisition, the interest of The Coca-Cola Company in the capital stock of our company increased from 30% to 39.6%.

During August 2004, we conducted a rights offering to allow existing holders of our Series L Shares and ADSs to acquire newly-issued Series L Shares in the form of Series L Shares and ADSs, respectively, at the same price per share at which FEMSA and The Coca-Cola Company subscribed in connection with the Panamco acquisition. In March 2006, our shareholders approved the non-cancellation of the 98,684,857 Series L Shares (equivalent to approximately 9.87 million ADSs, or over one-third of the outstanding Series L Shares) that were not subscribed for in the rights offering which were available for subscription at a price of no less than US$ 2.216 per share or its equivalent in Mexican currency.

In November 2006, FEMSA acquired, through a subsidiary, 148,000,000 of our Series D Shares from certain subsidiaries of The Coca-Cola Company representing 9.4% of the total outstanding voting shares and 8.0% of the total outstanding equity of Coca-Cola FEMSA, at a price of US$ 2.888 per share for an aggregate amount of US$ 427.4 million. With this purchase, FEMSA increased its ownership to 53.7% of our capital stock. Pursuant to our bylaws, the acquired shares were converted from Series D Shares to Series A Shares.

In November 2007, Administración, S.A.P.I. de C.V., or Administración, a Mexican company owned directly or indirectly by us and The Coca-Cola Company, acquired 100% of the shares of capital stock of Jugos del Valle. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. Subsequently, we and The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and the Brazilian operations, respectively, of Jugos del Valle, through transactions completed during 2008. We hold an interest of approximately 20% in each of the Mexican joint business and the Brazilian joint businesses. Jugos del Valle sells fruit juice-based beverages and fruit derivatives.

In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil, and we paid a

purchase price of US$ 364.1 million in June 2008. We began to consolidate REMIL in our financial statements as of June 1, 2008.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. The December 2007 transaction was valued at US$ 48 million and the May 2008 transaction was valued at US$ 16 million. We believe that both of these transactions were conducted on an arm s length basis.

Revenues from the sale of proprietary brands in which we have a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period.

In July 2008, we acquired the *Agua De Los Angeles* jug water business in the Valley of Mexico (Mexico City and surrounding areas) from Grupo Embotellador CIMSA, S.A. de C.V., one of the *Coca-Cola* bottling franchises in Mexico, for a purchase price of US$ 18.3 million. The trademarks remain with The Coca-Cola Company. We subsequently merged *Agua De Los Angeles* into our jug water business under the *Ciel* brand.

In February 2009, we acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, a subsidiary of SABMiller. We acquired the production assets and the distribution territory, and The Coca-Cola Company acquired the *Brisa* brand. We and The Coca-Cola Company equally shared in paying the purchase price of US$ 92 million. Following a transition period, in June 2009, we started to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, we entered into an agreement to develop the *Crystal* trademark water products in Brazil jointly with The Coca-Cola Company.

As of March 1, 2010, FEMSA indirectly owned Series A Shares equal to 53.7% of our capital stock (63.0% of our capital stock with full voting rights). As of March 1, 2010, The Coca-Cola Company indirectly owned Series D Shares equal to 31.6% of the capital stock of our company (37.0% of our capital stock with full voting rights). Series L Shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the New York Stock Exchange, constitute the remaining 14.7% of our capital stock.

Business Strategy

We operate with a large geographic footprint in Latin America and have established divisional headquarters in the following three regions:

Mexico with headquarters in Mexico City;

Latincentro (covering territories in Guatemala, Nicaragua, Costa Rica, Panama, Colombia and Venezuela) with headquarters in San José, Costa Rica; and

Mercosur (covering territories in Brazil and Argentina) with headquarters in São Paulo, Brazil.

Our goal is to maximize growth and profitability to create value for our shareholders. Our efforts to achieve this goal are based on: (1) implementing multi-segmentation strategies in our major markets to target distinct market clusters divided by consumption occasion, competitive intensity and socioeconomic levels; (2) implementing well-planned product, packaging and pricing strategies through different distribution channels; (3) driving product innovation along our different product categories and (4) achieving operational efficiencies throughout our company. To achieve these goals, we intend to continue to focus our efforts on, among other initiatives, the following:

working with The Coca-Cola Company to develop a business model to continue exploring and participating in new lines of beverages, extending existing product lines and effectively advertising and marketing our products;

developing and expanding our still beverage portfolio through strategic acquisitions and by entering into agreements to jointly acquire companies with The Coca-Cola Company;

expanding our bottled water strategy, in conjunction with The Coca-Cola Company through innovation and selective acquisitions to maximize profitability across our market territories;

strengthening our selling capabilities and go-to-market strategies, including pre-sale, conventional selling and hybrid routes, in order to get closer to our clients and help them satisfy the beverage needs of consumers;

implementing selective packaging strategies designed to increase consumer demand for our products and to build a strong returnable base for the *Coca-Cola* brand;

replicating our best practices throughout the value chain;

rationalizing and adapting our organizational and asset structure in order to be in a better position to respond to a changing competitive environment;

committing to building a multi-cultural collaborative team, from top to bottom; and

broadening our geographic footprint through organic growth and strategic acquisitions.

We seek to increase per capita consumption of our products in the territories in which we operate. To that end, our marketing teams continuously develop sales strategies tailored to the different characteristics of our various territories and distribution channels. We continue to develop our product portfolio to better meet market demand and maintain our overall profitability. To stimulate and respond to consumer demand, we continue to introduce new products and new presentations. See Product and Packaging Mix. In addition, because we view our relationship with The Coca-Cola Company as integral to our business, we use market information systems and strategies developed with The Coca-Cola Company to improve our business and marketing strategies. See Description of Property, Plant and Equipment.

We also continuously seek to increase productivity in our facilities through infrastructure and process reengineering for improved asset utilization. Our capital expenditure program includes investments in production and distribution facilities, bottles, cases, coolers and information systems. We believe that this program will allow us to maintain our capacity and flexibility to innovate and to respond to consumer demand for our products.

Finally, we focus on management quality as a key element of our growth strategy and remain committed to fostering the development of quality management at all levels. Both FEMSA and The Coca-Cola Company provide us with managerial experience. To build upon these skills, we also offer management training programs designed to enhance our executives abilities and to provide a forum for exchanging experiences, know-how and talent among an increasing number of multinational executives from our new and existing territories.

Table of Contents

Our Territories

The following map shows our territories, giving estimates in each case of the population to which we offer products, the number of retailers of our beverages and the per capita consumption of our sparkling beverages as of December 31, 2009:

Per capita consumption data for a territory is determined by dividing sparkling beverage sales volume within the territory (in bottles, cans, and fountain containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings of our products consumed annually per capita. In evaluating the development of local volume sales in our territories and to determine product potential, we and The Coca-Cola Company measure, among other factors, the per capita consumption of our sparkling beverages.

Table of Contents

Our Products

We produce, market and distribute *Coca-Cola* trademark beverages and brands licensed from FEMSA. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters, and still beverages (including juice drinks, teas and isotonics). In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. See Corporate History. The following table sets forth our main brands as of December 31, 2009:

Colas:	**Mexico**	**Latincentro**[1]	**Venezuela**	**Mercosur**[2]
Coca-Cola	a	a	a	a
Coca-Cola light	a	a	a	a
Coca-Cola Zero	a	a	a	a

Flavored sparkling beverages:	**Mexico**	**Latincentro**[1]	**Venezuela**	**Mercosur**[2]
Aquarius Fresh				a
Chinotto			a	
Crush		a		a
Fanta	a	a		a
Fresca	a	a		
Frescolita		a	a	
Hit			a	
Kuat				a
Lift	a	a		
Mundet[3]	a			
Quatro		a		a
Simba				a
Sprite	a	a		a

Water:	**Mexico**	**Latincentro**[1]	**Venezuela**	**Mercosur**[2]
Alpina		a		
Brisa		a		
Ciel	a			
Crystal				a
Kin				a
Manantial		a		

Nevada			a	
Santa Clara[4]		a		a
Other Categories:	**Mexico**	**Latincentro**[1]	**Venezuela**	**Mercosur**[2]
Aquarius				a
Dasani[5]		a		a
Hi-C[6]		a		
Jugos del Valle[6]	a	a		a
Nestea	a	a	a	
Powerade[7]	a	a	a	a

(1) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(2) Includes Brazil and Argentina.

(3) Brand licensed from FEMSA.

(4) Proprietary brand.

(5) Flavored water. In Argentina, also still water.

(6) Juice-based beverage. Includes *ValleFrut* in Mexico and *Fresh* in Colombia.

(7) Isotonic.

Table of Contents

Sales Overview

We measure total sales volume in terms of unit cases. Unit case refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to soda fountains, refers to the volume of syrup, powders and concentrate that is required to produce 192 ounces of finished beverage product. The following table illustrates our historical sales volume for each of our territories.

	Sales Volume Year Ended December 31,		
	2009	2008	2007
	(millions of unit cases)		
Mexico	1,227.2	1,149.0	1,110.4
Latincentro			
Central America[1]	135.8	132.6	128.1
Colombia[2]	232.2	197.9	197.8
Venezuela	225.2	206.7	209.0
Mercosur			
Brazil[3]	424.1	370.6	296.1
Argentina	184.1	186.0	179.4
Combined Volume	2,428.6	2,242.8	2,120.8

(1) Includes Guatemala, Nicaragua, Costa Rica and Panama.

(2) As of June 1, 2009, includes sales from the *Brisa* bottled water business.

(3) Excludes beer sales volume. As of June 1, 2008, includes sales from REMIL.

Product and Packaging Mix

Out of the more than 100 brands and line extensions of beverages that we sell and distribute, our most important brand, *Coca-Cola*, together with its line extensions, *Coca-Cola light*, *Coca-Cola Zero* and *Coca-Cola light caffeine free*, accounted for 61.4% of total sales volume in 2009. Our next largest brands, *Ciel* (a water brand from Mexico), *Fanta* (and its line extensions), *Sprite* (and its line extensions), *ValleFrut* and *Hit*, accounted for 10.5%, 5.8%, 2.6%, 1.5% and 1.3%, respectively, of total sales volume in 2009. We use the term line extensions to refer to the different flavors in which we offer our brands. We produce, market and distribute *Coca-Cola* trademark beverages in each of our territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles made of polyethylene terephtalate, which we refer to as PET.

We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of our products excluding water, we consider a multiple serving size as equal to or larger than 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. We offer both returnable and non-returnable presentations, which allow us to offer different combinations of convenience and price to implement revenue management strategies and to target specific distribution channels and population segments in our territories. In addition, we sell some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which we refer to as fountain. We also sell bottled water products in bulk sizes, which refer to presentations equal to or larger than 5 liters, which have a much lower average price per unit case than our other beverage products.

The characteristics of our territories are very diverse. Central Mexico and our territories in Argentina are densely populated and have a large number of competing sparkling beverages brands as compared to the rest of our territories. Brazil is densely populated but has lower per capita consumption of sparkling beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower per capita consumption of sparkling beverages. In Venezuela, we face operational disruptions from time to time, including interruptions in energy supply. In 2009,

although our sparkling beverages volume increased, per capita consumption of our products has remained stable due to such short-term operating disruptions.

The following discussion analyzes our product and packaging mix by segment. The volume data presented is for the years 2009, 2008 and 2007.

Mexico. Our product portfolio consists of *Coca-Cola* trademark beverages, and since 2001 has included *Mundet* trademark beverages licensed from FEMSA. In 2007, as part of our efforts to strengthen the *Coca-Cola* brand we launched *Coca-Cola Zero,* a line extension of the *Coca-Cola* brand. Sparkling beverage per capita consumption of our products in our Mexican territories in 2009 was 436 eight-ounce servings.

The following table highlights historical sales volume and mix in Mexico for our products:

	Year Ended December 31,		
	2009	**2008**	**2007**
Product Sales Volume		**(millions of unit cases)**	
Total	1,227.2	1,149.0	1,110.4
% Growth	6.8%	3.5%	3.7%
Unit Case Volume Mix by Category		**(in percentages)**	
Sparkling beverages	73.4	75.4%	78.3%
Water[1]	21.5	21.6	20.7
Still beverages	5.1	3.0	1.0
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volumes.

In 2009, our most popular sparkling beverage presentations were the 2.5-liter returnable plastic bottle, the 0.6-liter non-returnable plastic bottle (the 20-ounce bottle that is also popular in the United States) and the 2.5-liter non-returnable plastic bottle, which together accounted for 56.7% of total sparkling beverage sales volume in Mexico. Multiple serving presentations represented 66.9% of total sparkling beverages sales volume in Mexico in 2009, a 7.7% increase compared to 2008. Our strategy is to foster consumption in single serving presentations while maintaining multiple serving volumes. In 2009, our sparkling beverages decreased as a percentage of our total sales volume from 75% in 2008 to 73.4% in 2009, mainly due to the introduction of the Jugos del Valle line of products.

Total sales volume reached 1,227.2 million unit cases in 2009, an increase of 6.8% compared to 1,149.0 million unit cases in 2008. Sparkling beverages sales volume increased almost 4% as compared to 2008. The still beverage category accounted for approximately 37% of the total incremental volumes during the year. Still beverage growth was mainly driven by the introduction of the Jugos del Valle line of products, especially *ValleFrut*.

Latincentro (Colombia and Central America). Our product sales in Latincentro consist predominantly of *Coca-Cola* trademark beverages. Per capita consumption of our sparkling beverages products in Colombia and Central America was 92 and 146 eight-ounce servings, respectively, in 2009.

Table of Contents

The following table highlights historical total sales volume and sales volume mix in Latincentro:

	Year Ended December 31,		
	2009	**2008**	**2007**
Product Sales Volume	**(millions of unit cases)**		
Total	368.0	330.5	325.9
% Growth	11.3%	1.4%	4.7%
Unit Case Volume Mix by Category	**(in percentages)**		
Sparkling beverages	79.3%	87.9%	88.5%
Water(1)	13.0	7.7	8.3
Still beverages	7.7	4.4	3.2
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

In 2009, multiple serving presentations, as a percentage of total sparkling beverage sales volume, represented 56.7% in Central America and 58.3% in Colombia. In 2008, as part of our efforts to strengthen the *Coca-Cola* brand, we launched *Coca-Cola Zero*, a line extension of the *Coca-Cola* brand, in Colombia. The acquisition of Brisa in 2009 helped us to become leader, based on sales volume, in the water market in Colombia.

Total sales volume was 368.0 million unit cases in 2009, increasing 11.3% compared to 330.5 million in 2008. Water sales, including bulk water, represented approximately 60% of total incremental volume, mainly driven by the integration of the Brisa bottled water business in Colombia. Still beverages represented the majority of the balance, mainly driven by the introduction of the Jugos del Valle line of products.

Venezuela. Our product portfolio in Venezuela consists of Coca-Cola trademark beverages. Sparkling beverages per capita consumption of our products in Venezuela during 2009 was 174 eight-ounce servings.

The following table highlights historical total sales volume and sales volume mix in Venezuela:

	Year Ended December 31,		
	2009	**2008**	**2007**
Product Sales Volume	**(millions of unit cases)**		
Total	225.2	206.7	209.0
% Growth	9.0%	(1.1%)	14.5%
Unit Case Volume Mix by Category	**(in percentages)**		
Sparkling beverages	91.7%	91.3%	90.4%
Water(1)	5.7	5.8	5.7
Still beverages	2.6	2.9	3.9

Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

During 2009, we continued facing periodic operating difficulties that prevented us from producing and distributing to satisfy market demand for our products. We have implemented a product portfolio rationalization strategy to minimize the impact of these disruptions, which led to an increase in sales in 2009 as compared to 2008. Our sparkling beverage volume grew 9.4% mainly driven by flavored sparkling beverages.

In 2009, multiple serving presentations represented 77.2% of total sparkling beverages sales volume in Venezuela. Total sales volume was 225.2 million unit cases in 2009, a increase of 9.0% compared to 206.7 million in 2008.

Mercosur (Brazil and Argentina). Our product portfolio in Mercosur consists mainly of Coca-Cola trademark beverages and the Kaiser beer brand in Brazil, which we sell and distribute on behalf of FEMSA Cerveza. Sparkling beverages per capita consumption of our products in Brazil and Argentina was 214 and 359 eight-ounce servings, respectively, in 2009.

The following table highlights historical total sales volume and sales volume mix in Mercosur, not including beer:

	Year Ended December 31,		
	2009	**2008**	**2007**
Product Sales Volume	**(millions of unit cases)**		
Total	608.2	556.6	475.5
% Growth	9.3%	17.1%	9.6%
Unit Case Volume Mix by Category	**(in percentages)**		
Sparkling beverages	92.0%	93.3%	93.5%
Water(1)	4.1	4.2	4.5
Still beverages	3.9	2.5	2.0
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volume.

Beginning in June 2008, we integrated the bottling franchise of REMIL in the State of Minas Gerais into our existing Brazilian operations. REMIL contributed 44.2 million unit cases of beverages to our sales volume during the first five months of 2009. Sparkling beverages represented approximately 95% of this volume. In 2008, in our continued effort to develop the still beverage category in Argentina, we launched *Aquarius*, a flavored water.

Total sales volume was 608.2 million unit cases in 2009, an increase of 9.3% compared to 556.6 million in 2008. Excluding REMIL, total sales volume increased 1.3%. Growth in still beverages driven by sales of Aquarius in Argentina accounted for most of the growth during the year. In 2009, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 28.5% in Argentina and 12.4% in Brazil. In 2009, multiple serving presentations represented 70.8% and 85.5% of total sparkling beverages sales volume in Brazil and Argentina, respectively.

We sell and distribute the *Kaiser* brands of beer in our territories in Brazil. In January 2006, FEMSA Cerveza acquired a controlling stake in Cervejarias Kaiser. Since that time, we have distributed the *Kaiser* beer portfolio in our Brazilian territories, consistent with the arrangements between us and Cervejarias Kaiser in place prior to 2004. Beginning with the second quarter of 2005, we ceased including beer that we distribute in Brazil in our reported sales volumes. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed. We have agreed with Cervejarias Kaiser to continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangement in place since 2006.

Recent Acquisition

In February 2009, we acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, a subsidiary of SABMiller. We acquired the production assets and the rights to distribute in the territory, and The Coca-Cola Company acquired the *Brisa* brand. We and The Coca-Cola Company equally shared in paying the purchase price of US$ 92 million. Following a transition period, in June 2009, we started to sell and distribute the *Brisa* portfolio of products in Colombia.

Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the summer months of each country and during the Christmas holiday season. In Mexico, Central America, Colombia and Venezuela, we typically achieve our highest sales during the summer months of April through September as well as during the Christmas holidays in December. In Brazil and Argentina, our highest sales levels occur during the summer months of October through March and the Christmas holidays in December.

Marketing

Our company, in conjunction with The Coca-Cola Company, has developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2009, net of contributions by The Coca-Cola Company, were Ps. 3, 278 million. The Coca-Cola Company contributed an additional Ps. 1, 945 million in 2009, which includes contributions for coolers, bottles and cases. Through the use of advanced information technology, we have collected customer and consumer information that allow us to tailor our marketing strategies to target different types of customers located in each of our territories and to meet the specific needs of the various markets we serve.

Retailer Support Programs. Support programs include providing retailers with point-of-sale display materials and consumer sales promotions, such as contests, sweepstakes and the giveaway of product samples.

Coolers. Cooler distribution among retailers is important for the visibility and consumption of our products and to ensure that they are sold at the proper temperature.

Advertising. We advertise in all major communications media. We focus our advertising efforts on increasing brand recognition by consumers and improving our customer relations. National advertising campaigns are designed and proposed by The Coca-Cola Company s local affiliates, with our input at the local or regional level.

Channel Marketing. In order to provide more dynamic and specialized marketing of our products, our strategy is to classify our markets and develop targeted efforts for each consumer segment or distribution channel. Our principal channels are small retailers, on-premise consumption such as restaurants and bars, supermarkets and third party distributors. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of beverage consumers in each of the different types of locations or distribution channels. In response to this analysis, we tailor our product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

We believe that the implementation of our channel marketing strategy also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. Our channel marketing activities are facilitated by our management information systems. We have invested significantly in creating these systems, including in hand-held computers to support the gathering of product, consumer and delivery information for most of our sales routes throughout our territories.

Multi-segmentation. We have been implementing a multi-segmentation strategy in the majority of our markets. This strategy consists of the implementation of different product/price/package portfolios by market cluster or group. These clusters are defined based on consumption occasion, competitive intensity and socioeconomic levels, rather than solely on the types of distribution channels.

Table of Contents

Product Distribution

The following table provides an overview of our product distribution centers and the retailers to which we sell our products:

Product Distribution Summary
as of December 31, 2009

	Mexico	Latincentro[2]	Venezuela	Mercosur[3]
Distribution centers	84	60	33	33
Retailers (in thousands)[1]	620,255	475,119	211,749	269,888

(1) Estimated.

(2) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(3) Includes Brazil and Argentina.

We continuously evaluate our distribution model in order to fit with the local dynamics of the marketplace. We are currently analyzing the way we go to market, recognizing different service needs from our customers, while looking for a more efficient distribution model. As part of this strategy, we are rolling out a variety of new distribution models throughout our territories looking for improvements in our distribution network.

We use two main sales methods depending on market and geographic conditions: (1) the traditional or conventional truck route system, in which the person in charge of the delivery makes immediate sales from inventory available on the truck and (2) the pre-sale system, which separates the sales and delivery functions and allows sales personnel to sell products prior to delivery and trucks to be loaded with the mix of products that retailers have previously ordered, thereby increasing distribution efficiency. We also use a hybrid distribution system in some of our territories, where the same truck holds product available for immediate sale and product previously ordered through the pre-sale system. As part of the pre-sale system, sales personnel also provide merchandising services during retailer visits, which we believe enhance the presentation of our products at the point of sale. We believe that service visits to retailers and frequency of deliveries are essential elements in an effective selling and distribution system for our products. In certain areas, we also make sales through third party wholesalers of our products. The vast majority of our sales are on a cash basis.

Our distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to our fleet of trucks, we distribute our products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of our territories, we retain third parties to transport our finished products from the bottling plants to the distribution centers.

Mexico. We contract with a subsidiary of FEMSA for the transportation of finished products to our distribution centers from our Mexican production facilities. See Item 7. Major Shareholders and Related Party

Transactions Related Party Transactions. From the distribution centers, we then distribute our finished products to retailers through our own fleet of trucks.

In Mexico, we sell a majority of our beverages at small retail stores to customers who take the beverages home or elsewhere for consumption. We also sell products through the on-premise consumption segment, supermarkets and other locations. The on-premise consumption segment consists of sales through sidewalk stands, restaurants, bars and various types of dispensing machines as well as sales through point-of-sale programs in concert halls, auditoriums and theaters.

Brazil. In Brazil we sold approximately 23% of our total sales volume through supermarkets in 2009. Also in Brazil, the delivery of our finished products to customers is completed by a third party, while we maintain control over the selling function. In designated zones in Brazil, third-party distributors purchase our products at a discount from the wholesale price and resell the products to retailers.

Territories other than Mexico and Brazil. We distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors. In most of our territories, an important part of our total sales volume is sold through small retailers, with low supermarket penetration.

Competition

Although we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the markets in the territories in which we operate are highly competitive. Our principal competitors are local bottlers of Pepsi and other bottlers and distributors of national and regional sparkling beverage brands. We face increased competition in many of our territories from producers of low price beverages, commonly referred to as B brands. A number of our competitors in Central America, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

Recently, price discounting and packaging have joined consumer sales promotions, customer service and non-price retailer incentives as the primary means of competition among bottlers. We compete by seeking to offer products at an attractive price in the different segments in our markets and by building on the value of our brands. We believe that the introduction of new products and new presentations has been a significant competitive technique that allows us to increase demand for our products, provide different options to consumers and increase new consumption opportunities. See Sales Overview.

Mexico. Our principal competitors in Mexico are bottlers of *Pepsi* products, whose territories overlap but are not co-extensive with our own. In central Mexico we compete with a subsidiary of PepsiCo, Pepsi Beverage Company, the largest bottler of Pepsi products globally, and Grupo Embotelladores Unidos, S.A.B. de C.V., the *Pepsi* bottler in central and southeast Mexico. Our main competition in the juice category in Mexico is Grupo Jumex, the largest juice producer in the country. In the water category, *Bonafont*, a water brand owned by Groupe Danone, is our main competition. In addition, we compete with Cadbury Schweppes in sparkling beverages and with other national and regional brands in our Mexican territories, as well as low-price producers, such as Big Cola and Consorcio AGA, S.A. de C.V., that principally offer multiple serving size presentations of sparkling and still beverages.

Latincentro (Colombia and Central America). Our principal competitor in Colombia is Postobón, a well-established local bottler that sells flavored sparkling beverages, some of which have a wide consumption preference, such as *manzana Postobón* (apple Postobón), which is the second most popular flavor in the Colombian sparkling beverage industry in terms of total sales volume. Postobón also sells *Pepsi* products. Postobón is a vertically integrated producer, the owners of which hold other significant commercial interests in Colombia. We also compete with low-price producers, such as the producers of *Big Cola*, that principally offer multiple serving size presentations in the sparkling and still beverage industry.

In the countries that comprise our Central America region, our main competitors are Pepsi and *Big Cola* bottlers. In Guatemala and Nicaragua, we compete with a joint venture between AmBev and The Central American Bottler Corporation. In Costa Rica, our principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. S.A. In Panama, our main competitor is Cervecería Nacional, S.A. We also face competition from low-price producers offering multiple serving size presentations in some Central American countries.

Venezuela. In Venezuela, our main competitor is Pepsi-Cola Venezuela, C.A., a joint venture formed between PepsiCo and Empresas Polar, S.A., the leading beer distributor in the country. We also compete with the producers of *Big Cola* in part of the country.

Mercosur (Brazil and Argentina). In Brazil, we compete against AmBev, a Brazilian company with a portfolio of brands that includes *Pepsi*, local brands with flavors such as guaraná, and proprietary beers. We also compete against B brands or Tubainas, which are small, local producers of low-cost flavored sparkling beverages in multiple serving presentations that represent a significant portion of the sparkling beverage market.

In Argentina, our main competitor is Buenos Aires Embotellador S.A. (BAESA), a *Pepsi* bottler, which is owned by Argentina s principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In addition, we compete with a number of competitors offering generic, low-priced sparkling beverages as well as many other generic products and private label proprietary supermarket brands.

Raw Materials

Pursuant to the bottler agreements with The Coca-Cola Company, we are required to purchase concentrate and artificial sweeteners in some of our territories, for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company. The price of concentrate for all *Coca-Cola* trademark beverages is a percentage of the average price we charge to our retailers in local currency net of applicable taxes. Although The Coca-Cola Company has the right to unilaterally set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with The Coca-Cola Company.

In 2005, The Coca-Cola Company decided to gradually increase concentrate prices for sparkling beverages over a three-year period in Brazil beginning in 2006 and in Mexico beginning in 2007. These increases were fully implemented in Brazil in 2008 and in Mexico in 2009. As part of the cooperation framework that we arrived at with The Coca-Cola Company at the end of 2006, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of our sparkling and still beverages portfolio. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.

In addition to concentrate, we purchase sweeteners, carbon dioxide and other raw materials, resin and ingots to make plastic bottles, finished plastic and glass bottles, cans, closures and fountain containers, as well as other packaging materials. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for the sparkling beverage. Our bottler agreements provide that, with respect to *Coca-Cola* trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including affiliates of FEMSA. Prices for packaging materials and high fructose corn syrup historically have been determined with reference to the U.S. dollar, although the local currency equivalent in a particular country is subject to price volatility in accordance with changes in exchange rates. Our most significant packaging raw material costs arise from the purchase of resin, plastic ingots to make plastic bottles and finished plastic bottles, which we obtain from international and local producers. The prices of these materials are tied to crude oil prices and global resin supply. In recent years we have experienced volatility in the prices we pay for these materials. Across our territories, our average price for resin in U.S. dollars decreased significantly during 2009.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar or high fructose corn syrup as sweeteners in our products. Sugar prices in all of the countries in which we operate, other than Brazil, are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar in certain countries. We have experienced sugar price volatility in our territories as a result of changes in local conditions and regulations and, in 2009, mainly due to a production shortfall in India, one of the largest global producers of sugar.

None of the materials or supplies that we use is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls or national emergency situations.

Mexico. We purchase our returnable plastic bottles from Continental PET Technologies de México, S.A. de C.V, a subsidiary of Continental Can, Inc., which is the exclusive supplier of returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. We also mainly purchase resin from Arteva Specialties, S. de R.L. de C.V. and Industrias Voridian, S.A. de C.V., which ALPLA Fábrica de Plásticos, S.A. de C.V., known as ALPLA, manufactures into non-returnable plastic bottles for us.

We purchase all of our cans from Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which we hold a 5.0% equity interest. We mainly purchase our glass bottles

from Silices de Veracruz, S.A. de C.V., known as SIVESA, a wholly-owned subsidiary of FEMSA Cerveza. We purchase sugar from, among other suppliers, Beta San Miguel, S.A. de C.V., a sugar cane producer in which we hold a 2.5% equity interest**.**

Imported sugar is subject to import duties, the amount of which is set by the Mexican government. As a result, sugar prices in Mexico are in excess of international market prices for sugar. In 2009, sugar prices increased compared to 2008.

Latincentro (Colombia and Central America). In Colombia, we use sugar as a sweetener in most of our products, which we buy from several domestic sources. We purchase pre-formed ingots from Amcor and Tapón Corona de Colombia S.A. We purchase all our glass bottles and cans from a supplier in which our competitor Postobón owns a 40% equity interest. Glass bottles and cans are available only from this one local source.

In Central America, the majority of our raw materials such as glass and plastic bottles and cans are purchased from several local suppliers. Sugar is available from one supplier in each country. Local sugar prices, in certain countries that comprised the region, are increasing due to higher international prices and the limited availability of sugar or high fructose corn syrup. In Costa Rica, we acquire plastic non-returnable bottles from ALPLA C.R. S.A., and in Nicaragua we acquire such plastic bottles from ALPLA Nicaragua, S.A.

Venezuela. We use sugar as a sweetener in most of our products, which we purchase mainly from the local market. Since 2003, we have experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. Sugar supply was severely affected in 2009 due to (1) shortages in sugar cane production, (2) the implementation of new regulations imposing a quota on the maximum amount of available sugar distributed to the food and beverages industry and (3) a production decrease by certain sugar mills. We cannot assure you that we will be able to meet our sugar requirements in the long term if sugar supply conditions do not improve. We buy glass bottles from one local supplier, Productos de Vidrio, S.A., but there are alternative suppliers authorized by The Coca-Cola Company. We acquire most of our plastic non-returnable bottles from ALPLA de Venezuela, S.A. and all of our aluminum cans from a local producer, Dominguez Continental, C.A.

Under current regulations promulgated by the Venezuelan authorities, our ability to import some of our raw materials and other supplies used in our production could be limited, and access to the official exchange rate for these items for us and our suppliers, including, among others, resin, aluminum, plastic caps, distribution trucks and vehicles is only achieved by obtaining proper approvals from the relevant authorities.

Mercosur (Brazil and Argentina). Sugar is widely available in Brazil at local market prices, which historically have been similar to international prices. Sugar prices in Brazil in recent periods have been volatile, mainly due to the increased demand for sugar cane for production of alternative fuels, and our average acquisition cost for sugar in 2009 increased. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk. We purchase glass bottles, plastic bottles and cans from several domestic and international suppliers.

In Argentina, we mainly use high fructose corn syrup that we purchase from several different local suppliers as a sweetener in our products instead of sugar. We purchase glass bottles, plastic cases and other raw materials from several domestic sources. We purchase pre-formed plastic ingots, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil, and other local suppliers. We also acquire plastic non-returnable bottles from ALPLA Avellaneda S.A. We produce our own can presentations and juice-based products for distribution to customers in Buenos Aires.

REGULATION

We are subject to regulation in each of the territories in which we operate. The adoption of new laws or regulations in the countries in which we operate may increase our operating costs, our liabilities or impose restrictions on our

operations which, in turn, may adversely affect our financial condition, business and results of operations. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results of operations or financial condition.

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. At present, there are no price controls on our products in any of the territories in which we have operations, except for Argentina, where authorities directly supervise certain products sold through supermarkets to control inflation.

Taxation of Sparkling Beverages

All the countries in which we operate, except for Panama, impose a value-added tax on the sale of sparkling beverages, with a rate of 16% in Mexico beginning in January 2010 (15% through the end of 2009), 12% in Guatemala, 15% in Nicaragua, 13% in Costa Rica, 16% in Colombia (applied only to the first sale in supply chain), 12% in Venezuela (beginning in April 2009), 17% (Mato Grosso do Sul) and 18% (São Paulo and Minas Gerais) in Brazil, and 21% in Argentina. In addition, several of the countries in which we operate impose the following excise or other taxes:

Guatemala imposes an excise tax of 0.18 cents in local currency (Ps. 0.28 as of December 31, 2009) per liter of sparkling beverage.

Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, a 5% excise tax on local brands, a 10% tax on foreign brands and a 14% tax on mixers, and another specific tax on non-alcoholic beverages of 14.39 colones (Ps. 0.33 as of December 31, 2009) for every 250 ml.

Nicaragua imposes a 9% tax on consumption, and municipalities impose a 1% tax on our Nicaraguan gross income.

Panama imposes a 5% tax based on the cost of goods produced.

Brazil imposes an average production tax of 4.9% and an average sales tax of 7.8%, both assessed by the federal government. Most of these taxes are fixed, based on average retail prices in each state where the company operates (VAT) or fixed by the federal government (excise and sales tax).

Argentina imposes an excise tax on sparkling beverages containing less than 5% lemon juice or less than 10% fruit juice of 8.7%, and an excise tax on flavored sparkling beverage with 10% or more fruit juice and on sparkling water of 4.2%, although this excise tax is not applicable to certain of our products.

Water Supply Law

In Mexico, we obtain water directly from municipal water companies and pump water from our own wells pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (the 1992 Water Law), and regulations issued thereunder, which created the *Comisión Nacional del Agua* (the National Water Commission). The National Water Commission is charged with overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run for five-, ten- or fifteen-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms to be extended upon termination. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for two consecutive years. However, because the current concessions for each of our plants in Mexico do not match each plant s projected needs for water in future years, we successfully negotiated with the Mexican

government the right to transfer the unused volume under concessions from certain plants to other plants anticipating greater water usage in the future. Our concessions may be terminated if, among other things, we use more water than permitted or we fail to pay required concession-related fees and do not cure such situations on a timely manner. Although we have not undertaken independent studies to confirm the sufficiency of the existing or future groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico.

In Argentina, a state water company provides water to our Alcorta plant on a limited basis; however, we believe the authorized amount meets our requirements for this plant. In our Monte Grande plant in Argentina, we pump water from our own wells without the need for any specific permit or license.

In Brazil, we buy water directly from municipal utility companies, and we also pump water from our own wells or rivers (Mogi das Cruzes plant) pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and can only be exploited for the national interest, by Brazilians or companies formed under Brazilian law. Dealers and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the *Código de Mineração* (Code of Mining, Decree Law No. 227/67), the *Código de Águas Minerais* (Mineral Water Code, Decree Law No. 7841/45), the National Water Resources Policy (Law No. 9433 / 97) and by regulations issued thereunder. The companies that exploit water are supervised by the *Departamento Nacional de Produção Mineira DNPM* (National Department of Mineral Production) and the National Water Agency in connection with federal health agencies, as well as state and municipal authorities. In the Jundiaí and Belo Horizonte plants, we do not exploit mineral water. In the Mogi das Cruzes and Campo Grande plants, we have all the necessary permits related to the exploitation of mineral water.

In Colombia, in addition to natural spring water, we obtain water directly from our own wells and from local public companies. We are required to have a specific concession to exploit water from natural sources. Water use is regulated by law no. 9 of 1979 and decrees no. 1594 of 1984 and no. 2811 of 1974. The National Institute of National Resources supervises companies that exploit water. In Nicaragua and Costa Rica, we own and exploit our own water wells granted to us through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in our own plants. In Panama, we acquire water from a state water company. In Venezuela, we use private wells in addition to water provided by the municipalities, and we have taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs, that we will be able to maintain our current concessions or that additional regulations relating to water use will not be adopted in the future in our territories. We believe we are in material compliance with the terms of our existing water concessions and that we are in compliance with all relevant water regulations.

Environmental Matters

In all of the countries where we operate, our businesses are subject to federal and state laws and regulations relating to the protection of the environment. In Mexico, the principal legislation is the *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the Federal General Law for Ecological Equilibrium and Environmental Protection) or the Mexican Environmental Law and the *Ley General para la Prevención y Gestión Integral de los Residuos* (the General Law for the Prevention and Integral Management of Waste) which are enforced by the *Secretaría del Medio Ambiente y Recursos Naturales* (the Ministry of the Environment and Natural Resources, or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minimal restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City. See The Company Product Distribution.

In addition, we are subject to the Ley de Aguas Nacionales (the Natural Waters Law), enforced by the Comisión Nacional del Agua (the Mexican National Water Commission), or CONAGUA. Adopted in December

1992, the law provides that plants located in Mexico that use deep water wells to supply their water requirements must pay a fee to the city for the discharge of residual waste water to drainage. Pursuant to this law, certain local authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by CONAGUA. All of our bottler plants located in Mexico City, as well as the Toluca plant, met these standards as of 2001. See Description of Property, Plant and Equipment.

In our Mexican operations, we established a partnership with The Coca-Cola Company and ALPLA, a supplier of plastic bottles to us in Mexico, to create *Industria Mexicana de Reciclaje* (IMER), a PET recycling facility located in Toluca, Mexico. This facility started operations in 2005 and has a recycling capacity of 25,000 metric tons per year from which 15,000 metric tons can be re-used in PET bottles for food packaging purposes. We have also continued contributing funds to a nationwide recycling company, ECOCE, or *Ecología y Compromiso Empresarial* (Environmentally Committed Companies). In addition, our plants located in Toluca, Reyes, Cuautitlan, Apizaco, San Cristobal, Morelia, Ixtacomitan and Coatepec have received a *Certificado de Industria Limpia* (Certificate of Clean Industry).

As part of our environmental protection and sustainability strategies, in December 2009, some of our affiliates, jointly with other third parties, entered into a generation and wind energy supply agreement with a subsidiary of GAMESA Energía, S.A. to supply energy to a plant in Toluca, Mexico, owned by our subsidiary, Propimex, S.A. de C.V. The plant, which is located in La Ventosa, Oaxaca, is expected to generate approximately 100 thousand megawatt hours annually. The energy supply services began in April 2010.

Our Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of dangerous and toxic materials, as well as water usage. In some countries in Central America, we are in the process of bringing our operations into compliance with new environmental laws on the timeline established by the relevant regulatory authorities. Our Costa Rica and Panama operations have participated in a joint effort along with the local division of The Coca-Cola Company, *Misión Planeta* (Mission Planet), for the collection and recycling of non-returnable plastic bottles.

Our Colombian operations are subject to several Colombian federal, state and municipal laws and regulations related to the protection of the environment and the disposal of treated water and toxic and dangerous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. We are also engaged in nationwide campaigns for the collection and recycling of glass and plastic bottles as well as reforestation programs. For our plants in Colombia, we have obtained the *Certificación Ambiental Fase IV* (Phase IV Environmental Certificate).

Our Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the *Ley Orgánica del Ambiente* (the Organic Environmental Law), the *Ley Sobre Sustancias, Materiales y Desechos Peligrosos* (the Substance, Material and Dangerous Waste Law), the *Ley Penal del Ambiente* (the Criminal Environment Law) and the *Ley de Aguas* (the Water Law). Since the enactment of the Organic Environmental Law in 1995, our Venezuelan subsidiary has presented the proper authorities with plans to bring our production facilities and distribution centers into compliance with the law, which mainly consist of building or expanding the capacity of water treatment plants in our bottling facilities. Even though we have had to adjust some of the originally proposed timelines due to construction delays, in 2009, we completed the construction and received all the required permits to operate a new water treatment plant in our bottling facility located in the city of Barcelona. At the end of 2009, we also agreed with the relevant authorities to construct a water treatment plant in our Valencia plant within the next 18 months. We expect to complete the water treatment plant projects in the rest of our bottling facilities during the first half of 2011. We are also in process of

obtaining the ISO 14000 certification for all of our plants in Venezuela.

Our Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and dangerous gases and disposal of wastewater, which impose penalties, such as fines, facility closures or criminal charges depending upon the level of non-compliance.

Our production plant located in Jundiaí has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant has been certified for (i) ISO 9001 since March 1995; (ii) ISO 14001 since March 1997; (iii) norm OHSAS 18001 since 2005; and (iv) ISO 22000 since 2007. In Brazil it is also necessary to obtain concessions from the government to cast drainage. Our plants in Brazil have been granted this concession, except Mogi das Cruzes, where we have timely begun the process of obtaining one. We are in the process of expanding the capacity of our water treatment plant in our Jundiaí facility, which is expected to be completed in 2010.

In Brazil, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect in May 2008. This regulation requires us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the municipality; such percentage increases each year. As of May 2009, we were required to collect for recycling 50% of the PET bottles sold in the City of São Paulo and by May 2010, we will be required to collect 75% of PET bottles for recycling and 90% in May 2011. Currently, we are not able to collect the entire required volume of PET bottles we sold in the City of São Paulo for recycling. If we do not meet the requirements of this regulation, which are more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our plants and/or distribution centers located in the City of São Paulo. In May 2008, we and other bottlers in the City of São Paulo, through the *Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas*

(Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. Through ABIR, we are also negotiating the reduction of recycling percentages and more reasonable timelines for compliance. In addition, in November 2009 in response to a municipal authority request for us to demonstrate the destination of the PET bottles sold in São Paulo, we filed a motion presenting all of our recycling programs and requesting a more practical timeline to comply with the requirements of the law. We are currently awaiting resolution of both of these matters.

Our Argentine operations are subject to federal and provincial laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste water discharge, which are enforced by the *Secretaría de Ambiente y Desarrollo Sustentable* (the Ministry of Natural Resources and Sustainable Development) and the *Organismo Provincial para el Desarrollo Sostenible* (the Provincial Organization for Sustainable Development) for the province of Buenos Aires. Our Alcorta plant is in compliance with environmental standards and we have been certified for ISO 14001:2004 for the plants and operative units in Buenos Aires.

For all of our plant operations, we employ an environmental management system: *Sistema de Administración Ambiental* (Environmental Administration System, or EKOSYSTEM) that is contained within the *Sistema Integral de Calidad* (Integral Quality System or SICKOF).

We do not believe that our business activities pose a material risk to the environment, and we believe that we are in material compliance with all applicable environmental laws and regulations.

We have expended, and may be required to expend in the future, funds for compliance with and remediation under local environmental laws and regulations. Currently, we do not believe that such costs will have a material adverse effect on our results of operations or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly stringent in our territories, and there is increased awareness by local authorities of higher environmental standards in the countries where we operate, changes in current regulations may result in an increase in costs, which may have an adverse effect on our future results of operations or financial condition. Management is not aware of any significant pending regulatory changes that would require a significant amount of additional remedial capital expenditures.

Other regulations

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Some of our bottling operations in Venezuela outside of Caracas met this threshold and we submitted a plan, which included the purchase of generators for our plants. In January 2010, the Venezuelan government subsequently implemented power cuts and other measures for all industries in Caracas whose consumption was above 35 kilowatts per hour. All of our bottling and distribution centers as well as administrative offices in Caracas met this threshold.

Table of Contents

In January 2010, the Venezuelan government amended the *Ley para la Defensa y Acceso a las Personas a los Bienes y Servicios* (Access to Goods and Services Defense Law). Any violation by a company that produces, distributes and sells goods and services could lead to fines, penalties or the confiscation of the assets used to produce, distribute and sell these goods without compensation. Although we believe we are in compliance with this law, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes could lead to an adverse impact on us.

BOTTLER AGREEMENTS

Coca-Cola Bottler Agreements

Bottler agreements are the standard agreements for each territory that The Coca-Cola Company enters into with bottlers outside the United States. Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute *Coca-Cola* trademark beverages within specific geographic areas, and we are required to purchase concentrate and artificial sweeteners in some of our territories for all *Coca-Cola* trademark beverages from companies designated by the Coca-Cola Company.

These bottler agreements also provide that we will purchase our entire requirement of concentrate for *Coca-Cola* trademark beverages from The Coca-Cola Company and other authorized suppliers at prices, terms of payment and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company at its sole discretion. Concentrate prices are determined as a percentage of the weighted average retail price in local currency, net of applicable taxes. Although the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, we set the price of products sold to customers at our discretion, subject to the applicability of price restraints. We have the exclusive right to distribute *Coca-Cola* trademark beverages for sale in our territories in authorized containers of the nature prescribed by the bottler agreements and currently used by our company. These containers include various configurations of cans and returnable and non-returnable bottles made of glass and plastic and fountain containers.

The bottler agreements include an acknowledgment by us that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the secret formulas with which The Coca-Cola Company s concentrates are made. Subject to our exclusive right to distribute *Coca-Cola* trademark beverages in our territories, The Coca-Cola Company reserves the right to import and export *Coca-Cola* trademark beverages to and from each of our territories. Our bottler agreements do not contain restrictions on The Coca-Cola Company s ability to set the price of concentrates charged to our subsidiaries and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which we purchase concentrates under the bottler agreements may vary materially from the prices we have historically paid. However, under our bylaws and the shareholders agreement among certain subsidiaries of The Coca-Cola Company and certain subsidiaries of FEMSA, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain voting rights of the directors appointed by The Coca-Cola Company. This provides us with limited protection against The Coca-Cola Company s ability to raise concentrate prices to the extent that such increase is deemed detrimental to us pursuant to the shareholder agreement and the bylaws. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the *Coca-Cola* trademark beverages and to discontinue any of the *Coca-Cola* trademark beverages, subject to certain limitations, so long as all *Coca-Cola* trademark beverages are not discontinued. The Coca-Cola Company may also introduce new beverages in our territories in which case we have a right of first refusal with respect to the manufacturing, packaging, distribution and sale of such new beverages subject to the same obligations as then exist with respect to the *Coca-Cola* trademark beverages under the bottler agreements. The bottler agreements prohibit us from producing, bottling or handling beverages other than *Coca-Cola* trademark beverages, or other products or packages that would imitate, infringe upon, or cause confusion with the products, trade dress, containers or trademarks of The Coca-Cola Company, except under the authority of, or with the consent of, the Coca-Cola Company. The bottler agreements also prohibit us from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, we are obligated to:

maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;

undertake adequate quality control measures prescribed by The Coca-Cola Company;

develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our affiliates of our obligations to The Coca-Cola Company; and

submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2009 and has reiterated its intention to continue providing such support as part of our new cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement and Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.

We have separate bottler agreements with The Coca-Cola Company for each of the territories in which we operate, on substantially the same terms and conditions. These bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement.

In Mexico, we have four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. Our bottler agreements with The Coca-Cola Company will expire for our territories in the following countries: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014.

The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by us. The default provisions include limitations on the change in ownership or control of our company and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring our company independently of other rights set forth in the shareholders agreement. These provisions may prevent changes in our principal shareholders, including mergers or acquisitions involving sales or dispositions of our capital stock, which will involve an effective change of control, without the consent of The Coca-Cola Company. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.

We have also entered into tradename licensing agreements with The Coca-Cola Company pursuant to which we are authorized to use certain trademark names of The Coca-Cola Company. These agreements have a ten-year term, but are terminated if we cease to manufacture, market, sell and distribute *Coca-Cola* trademark products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate a license agreement if we use its trademark names in a manner not authorized by the bottler agreements.

DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT

Over the past several years, we made significant capital improvements to modernize our facilities and improve operating efficiency and productivity, including:

increasing the annual capacity of our bottling plants by installing new production lines;

installing clarification facilities to process different types of sweeteners;

installing plastic bottle-blowing equipment;

modifying equipment to increase flexibility to produce different presentations, including faster sanitation and changeover times on production lines; and

closing obsolete production facilities.

See Item 5. Operating and Financial Review and Prospects Capital Expenditures.

As of December 31, 2009, we owned thirty-one bottling plants company-wide. By country, we have ten bottling facilities in Mexico, five in Central America, six in Colombia, four in Venezuela, four in Brazil and two in Argentina.

As of December 31, 2009, we operated 210 distribution centers, approximately 40% of which were in our Mexican territories. We own more than 88% of these distribution centers and lease the remainder. See The Company Product Distribution.

We maintain an all risk insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. The policy covers damages caused by natural disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism, riot and losses incurred in connection with goods in transit. In addition, we maintain an all risk liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. In most cases the policies are issued by Allianz México, S.A., Compañía de Seguros, and the coverage is partially reinsured in the international reinsurance market.

The table below summarizes by country principal use, installed capacity and percentage utilization of our production facilities:

Bottling Facility Summary
As of December 31, 2009

Country	Installed Capacity (thousands of unit cases)	% Utilization[1]
Mexico	1,594,568	75%
Guatemala	36,850	70%
Nicaragua	85,766	43%

Costa Rica	78,486	58%
Panama	38,399	62%
Colombia	370,776	59%
Venezuela	275,205	81%
Brazil	623,676	66%
Argentina	285,825	66%

(1) Annualized rate.

The table below summarizes by country plant location and facility area of our production facilities:

Bottling Facility by Location
As of December 31, 2009

Country	Plant	Facility Area (thousands of sq. meters)
Mexico	San Cristóbal de las Casas, Chiapas	45
	Cuautitlán, Estado de México	35
	Los Reyes la Paz, Estado de México	50
	Toluca, Estado de México	242
	Celaya, Guanajuato	87
	León, Guanajuato	38
	Morelia, Michoacán	50
	Ixtacomitán, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
Guatemala	Guatemala City	47
Nicaragua	Managua	54
Costa Rica	Calle Blancos (San José)	52
	Coronado (San José)	14
Panama	Panama City	29
Colombia	Barranquilla	37
	Bogotá	105
	Bucaramanga	26
	Cali	76
	Manantial	67
	Medellín	47
Venezuela	Antímano	15
	Barcelona	141
	Maracaibo	68
	Valencia	100

Brazil	Campo Grande	36
	Jundiaí	191
	Mogi das Cruzes	119
	Belo Horizonte	73
Argentina	Alcorta	73
	Monte Grande (Buenos Aires)	32

SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2009:

Name of Company	Jurisdiction of Incorporation	Percentage Owned	Description
Propimex, S.A. de C.V	Mexico	100.00%	Manufacturer of bottles and distributor of bottled beverages.
Controladora Interamericana de Bebidas, S.A. de C.V	Mexico	100.00%	Holding company of manufacturers and distributors of beverages.
Spal Industria Brasileira de Bebidas, S.A	Brazil	97.71%	Manufacturer of cans and related products for bottling beverages.
Coca-Cola FEMSA de Venezuela S.A. (formerly, Panamco Venezuela, S.A. de C.V.)	Venezuela	100.00%	Manufacturer of bottles and related products for bottling beverages.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

General

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements including the notes thereto. Our consolidated financial statements were prepared in accordance with Mexican Financial Reporting Standards, which differ in certain respects from U.S. GAAP. Notes 26 and 27 to our consolidated financial statements provide a description of the principal differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us, together with a reconciliation to U.S. GAAP of net income and equity.

Average Price Per Unit Case. We use average price per unit case to analyze average pricing trends in the different territories in which we operate. We calculate average price per unit case by dividing net sales by total sales volume. Sales of beer in Brazil, which are not included in our sales volumes, are excluded from this calculation.

Effects of Changes in Economic Conditions. Our results of operations are affected by changes in economic conditions in Mexico and in the other countries in which we operate. For the years ended December 31, 2009, 2008 and 2007, 35.8%, 40.7% and 47.0%, respectively, of our total revenues were attributable to Mexico. In addition to Mexico, we also conduct operations in Central America, Colombia, Venezuela, Brazil and Argentina.

Our future results may be significantly affected by the general economic and financial conditions in the countries where we operate. Decreases in economic growth rates, periods of negative growth, devaluation of local currencies, increases in inflation or interest rates and political developments may result in lower demand for our products, lower real pricing or a shift to lower margin products or lower margin presentations.

The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, further deterioration in economic conditions in, or delays in recovery of, the U.S. economy may hinder any recovery in Mexico. In addition, an increase in interest rates in Mexico would increase our cost of Mexican peso-denominated variable interest rate indebtedness and would have an adverse effect on our financial condition. Depreciation of the Mexican peso relative to the U.S. dollar increases the cost to us of a portion of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and thereby may negatively affect our financial condition.

Recent developments

In January 2010, the Venezuelan government announced a devaluation of its official exchange rates and the establishment of a multiple exchange rate system of: (1) 2.60 bolivares to US$ 1.00 for high priority categories (2) 4.30 bolivares to US$ 1.00 for non-priority categories and (3) the recognition of the existence of other exchange rates which the government shall determine. See Liquidity and Capital Resources.

On February 5, 2010, we issued our 4.625% Senior Notes, due 2020 in the aggregate principal amount of US$ 500 million.

On February 10, 2010, our board of directors proposed an ordinary dividend of Ps. 2,604 million. This dividend was approved at the annual shareholders meeting held on April 14, 2010, and represents an increase of 94% as compared to the dividend paid in April 2009.

On February 25, 2010 and on April 16, 2010, we repaid our Mexican peso-denominated bonds, *Certificado Bursátil* KOF 09 and *Certificado Bursátil* KOF 03-3 at maturity in an aggregate principal amount of Ps. 2,000 and Ps.1,000 million, respectively.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires that we make estimates and assumptions that affect (1) the reported amounts of our assets and liabilities, (2) the disclosure of our contingent assets and liabilities as of the date of the financial statements and (3) the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on our historical experience and on various other reasonable factors, which together form the basis for making judgments about the carrying values of our assets and liabilities. Our actual results may differ from these estimates under different assumptions or conditions. We evaluate our estimates and judgments on an on-going basis. Our significant accounting policies are described in Note 4 to our consolidated financial statements. We believe our most critical accounting policies that imply the application of estimates and/or judgments are:

Allowance for Doubtful Accounts. We determine our allowance for doubtful accounts based on an evaluation of the aging of our receivables portfolio. The amount of the allowance is based on an analysis of recoverability of each balance. Most of our sales, however, are realized on a cash basis and do not give rise to doubtful accounts.

Returnable Bottles and Cases; Allowance for Bottle Breakage. Returnable bottles and cases are recorded at acquisition cost and, through 2007, these costs were restated applying inflation factors. Beginning in 2008, they are restated applying inflation factors only in inflationary countries. We classify them as property, plant and equipment. There are two types of returnable bottles and cases that belong to the Company: (1) those that are in our control within its facilities, plants and distribution centers and (2) those that have been placed in the hands of customers (in the market).

Breakage of returnable bottles and cases within plants and distribution centers is recorded as an expense. We estimate that the expense for breakage of returnable bottles and cases in plants and distribution centers is similar to the depreciation of these assets calculated on an estimated useful life of four years for returnable glass bottles and plastic cases, and 18 months for returnable plastic bottles.

Our returnable bottles and cases in the market and for which a deposit from customers has been received are presented net of such deposits, and the difference between the cost of these assets and the deposits received is depreciated according to their useful lives.

Property, Plant and Equipment and Other Assets. We depreciate and amortize property, plant and equipment and other assets over their useful lives. The estimated useful lives represent the period we expect the assets to remain in service and to generate revenues. We base our estimates on the experience of our technical personnel. Depreciation and amortization are computed using the straight-line method.

Valuation of Intangible Assets. In accordance with Mexican Financial Reporting Standards, we consider the difference between the acquisition cost and the fair value as intangible assets that relate to the rights to produce and distribute *Coca-Cola* trademark beverages. We separate intangible assets between those with a finite useful life and those with an indefinite useful life, in accordance with the period over which we expect to receive the benefits.

We value at fair value all assets and liabilities as of the date of acquisition and we conduct an analysis of the excess purchase price over the fair value of the net assets. This analysis results in the recognition of an intangible asset with indefinite life for the right to produce and distribute *Coca-Cola* trademark beverages, which are subject to annual impairment tests under Mexican Financial Reporting Standards. Intangible assets are recorded in the functional currency of the subsidiary in which the investment was made and are subsequently translated into Mexican pesos applying the closing exchange rate of each period. Beginning in 2008, for operations in an inflationary economic

environment the intangible assets are restated by applying inflation factors of the country of origin and are translated into Mexican pesos at the year-end exchange rate. Through 2007, the intangible assets with indefinite lives were restated by applying inflation factors of the country of origin, regardless of the economic environment, and were translated at the year-end exchange rate.

Intangible assets with indefinite life are no longer subject to amortization, but instead are subject to an initial impairment review and subsequent impairment test.

Historically, our bottler agreements have been renewed, and we have not experienced any significant termination of our bottler agreements. All of our bottler agreements provide for renewal at no cost and without any change in their terms and conditions. We also do not believe that any law or regulation could oppose or otherwise adversely affect the renewal of such agreements.

Impairment of Intangible Assets (with indefinite and definitive lives) and Long-Lived Assets. We continually review the carrying value of our intangible assets and long-lived assets for accuracy. We review for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable based on our projections of anticipated future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations. This test is performed annually or more frequently if deemed necessary.

Our evaluations indicate that no significant impairment of intangible assets or long-lived assets has been required. We can give no assurance that our expectations will not change as a result of new information or developments. Changes in economic or political conditions in all the countries in which we operate or in the industries in which we participate, however, may cause us to change our current assessment.

Labor Liabilities. Our labor liabilities include obligations for pension and retirement plans, seniority premiums and severance payments from causes other than restructuring. Labor liabilities are determined using long term assumptions.

We evaluate our assumptions at least annually. Those assumptions include the discount rate, expected long-term rate of return on plan assets, rates of increase in compensation costs and certain employee-related factors, such as turnover, retirement age and mortality rate. The assumptions include the economic risks existing in the countries in which our business operates.

In accordance with Mexican Financial Reporting Standards, actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expenses and recorded obligations in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our labor obligations and our future expense.

The following table is a summary of the three key assumptions used in determining 2009 annual labor expense, along with the impact on pension expense of a 1% change in each assumed rate:

Assumption	**2009 real rates for inflationary countries**[1]	**2009 nominal rates for noninflationary countries**[1]	**Impact of 1% change (millions)**[2]
Annual discount rate	1.5%-3.0%	6.5%-9.8%	+ Ps. (148) - Ps. 146
Salary increase	1.50%	4.5%-8.0%	+ Ps. 94 - Ps. 109

Estimated return on plan assets	1.5%-3.0%[3]	8.2%-9.8%[3]	+ Ps. 57

(1) Calculated using a measurement date of December 2009.
(2) + indicates an increase of 1%; - indicates a decrease of 1%.
(3) Not applicable for Colombia and Guatemala.

The total period cost related to the pension plan is registered above the income from operations line.

Income Taxes (Valuation Allowance). We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If these estimates and related assumptions change in the future, we may be required to adjust valuation allowances.

Tax and Legal Contingencies. We are subject to various claims and contingencies related to tax, labor and other legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a liability and/or discloses the applicable relevant circumstances, as appropriate. We accrue a liability for the estimated loss in accordance with accounting rules.

New Accounting Pronouncements

Mexican Financial Reporting Standards.

NIF B-5, Financial Information by Segment. NIF B-5 includes definitions and criteria for reporting financial information by operating segment. NIF B-5 establishes that an operating segment shall meet the following criteria: (1) the segment engages in business activities from which it earns or is in the process of obtaining revenues, and incurs related costs and expenses, (2) the operating results are reviewed regularly by the company s management and (3) specific financial information is available. NIF B-5 requires disclosures related to operating segments subject to reporting, including details of earnings, assets and liabilities, reconciliations, information about products and services, and geographical areas. NIF B-5 is effective beginning on January 1, 2011, and this accounting principle shall be applied retrospectively for comparable purposes. We are in the process of assessing the effect of adopting these new standards.

NIF B-9, Interim Financial Reporting. NIF B-9 prescribes the content to be included in a complete or condensed set of financial statements for an interim period. In accordance with this accounting principle, the complete set of financial statements shall include: (1) a statement of financial position as of the end of the period, (2) an income statement for the period, (3) a statement of changes in shareholders equity for the period, (4) a statement of cash flows for the period and (5) notes providing the relevant accounting policies and other explanatory notes. Condensed financial statements shall include: (1) a condensed statement of financial position, (2) a condensed income statement, (3) a condensed statement of changes in shareholders equity, (4) a condensed statement of cash flows and (5) selected explanatory notes. NIF B-9 is effective beginning on January 1, 2011. Interim financial statements shall be presented in a comparative form. We are in the process of assessing the effect of these new standards.

NIF C-1, Cash and cash equivalents. NIF C-1 establishes that cash shall be measured at nominal value, and cash equivalents shall be measured at its acquisition cost for initial recognition. Subsequently, cash equivalents should be measured according to its designation: precious metals shall be measured at fair value, foreign currencies shall be translated to the reporting currency applying the closing exchange rate, other cash equivalents denominated in a different measure of exchange shall be recognized to the extent provided for this purpose at the closing date of financial statements, and available-for-sale investments shall be presented at fair value. Cash and cash equivalents shall be presented in the first line of assets (including restricted cash). NIF C-1 is effective beginning on January 1, 2010 and shall be applied retrospectively.

In January 2009, the CNBV published amendments to the regulations applicable to financial reporting of Mexican issuers with equity securities listed on a Mexican securities exchange, including the requirement to prepare and present financial statements using International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) in place of Mexican Financial Reporting Standards beginning in 2012. Issuers may voluntarily report their financial statements using IFRS before the change in the reporting standards becomes mandatory. We have not fully assessed the effects that adopting IFRS will have on our financial information.

U.S. GAAP. The following new accounting standards have been issued under U.S. GAAP, the application of which is required as indicated. We are in the process of assessing the effect of adopting these new standards.

FASB issued FASB Staff Position FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets, or FSP FAS 132(R)-1. FSP FAS 132(R)-1 was issued by the FASB in December 2008 and was codified as a component of ASC 715. This new guidance amends previous U.S. GAAP standards replacing the requirement to disclose the percentage of fair value of total plan assets with a requirement to disclose the fair value of each major asset category. It also clarifies that defined benefits pension or other postretirement plan assets are not subject to certain disclosure requirements. This new guidance is effective for fiscal years ending after December 2009. This new guidance will increase the amount of disclosure for plan assets in our audited financial statements.

FASB Statement No. 166 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140, or FAS 166 (ASC 860). This statement provides for the removal of the concept of a qualifying special-purpose entity and removes the exception from applying variable interest entity accounting to qualifying special-purpose entities. This statement also clarifies that one objective of U.S. GAAP is to determine whether a transferor and all of the entities included in the transferor s financial statements being presented have surrendered control over transferred financial assets. FAS 166 modifies the financial-components approach used in U.S. GAAP and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. FAS 166 also defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. FAS 166 requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are also required by FAS 166. FAS 166 must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, and must be applied to transfers occurring on or after the effective date. We are currently evaluating the impact that the adoption of this standard will have on our consolidated financial statements.

Amendments to FIN 46R or FAS 167 (ASC 810). The FASB adopted FAS 167 to improve financial reporting by enterprises involved with variable interest entities. The FASB undertook this project to address (1) the effects on certain provisions of ASC 810 (formerly FIN 46R Consolidation of Variable Interest Entities, or FIN 46R), as a result of the elimination of the qualifying special-purpose entity concept in FAS 166 and (2) constituent concerns about the application of certain key provisions, including those in which the accounting and disclosures under previous guidance do not always provide timely and useful information about an enterprise s involvement in a variable interest entity. FAS 167 shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009. Early adoption is prohibited.

Results of Operations

The following table sets forth our consolidated income statement for the years ended December 31, 2009, 2008 and 2007. Certain figures for years prior to 2009 have been reclassified for comparison purposes to 2009 figures. See Note 4 to our consolidated financial statements for our significant accounting policies.

Year Ended December 31,			
2009[1]	**2009**	**2008**	**2007**
(2009 and 2008 in millions of Mexican pesos or millions of U.S. dollars; 2007 in millions of constant			

	Mexican pesos as of December 31, 2007, except per share data)			
Revenues:				
Net sales	US$7,829	Ps. 102,229	Ps. 82,468	Ps. 68,969
Other operating revenues	41	538	508	282
Total revenues	7,870	102,767	82,976	69,251
Cost of good sold	4,209	54,952	43,895	35,876
Gross profit	3,661	47,815	39,081	33,375
Operating expenses:				

44

Table of Contents

	Year Ended December 31,			
	2009[1]	2009	2008	2007
	(2009 and 2008 in millions of Mexican pesos or millions of U.S. dollars; 2007 in millions of constant Mexican pesos as of December 31, 2007, except per share data)			
Administrative	406	5,308	4,095	3,729
Selling	2,043	26,672	21,291	18,160
	2,449	31,980	25,386	21,889
Income from operations	1,212	15,835	13,695	11,486
Other expenses, net	111	1,449	1,831	702
Comprehensive financing result:				
Interest expense	144	1,895	2,207	2,178
Interest income	(22)	(286)	(433)	(613)
Foreign exchange loss (gain), net	28	370	1,477	(99)
Gain on monetary position in inflationary subsidiaries	(37)	(488)	(658)	(1,007)
Market value (gain) loss on ineffective portion of derivative financial instruments	(9)	(118)	959	(114)
	104	1,373	3,552	345
Income before income taxes	997	13,013	8,312	10,439
Income taxes	310	4,043	2,486	3,336
Consolidated net income	US$ 687	Ps. 8,970	Ps. 5,826	Ps. 7,103
Net controlling interest income	653	8,523	5,598	6,908
Net non-controlling interest income	34	447	228	195
Consolidated net income	US$ 687	Ps. 8,970	Ps. 5,826	Ps. 7,103
Net controlling income (U.S. dollars and Mexican pesos):				
Data per share	US$ 0.35	Ps. 4.62	Ps. 3.03	Ps. 3.74

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 13.0576 per US$ 1.00 solely for the convenience of the reader.

Table of Contents

Operations by Segment

The following table sets forth certain financial information for each of our segments for the years ended December 31, 2009, 2008 and 2007. Certain figures for years prior to 2009 have been reclassified for comparison purposes to 2009 figures. See Note 4 to our consolidated financial statements for our significant accounting policies. See Note 25 to our consolidated financial statements for additional information by segment.

	Year Ended December 31,		
	2009	2008	2007
	(2009 and 2008 in millions of Mexican pesos; 2007 in millions of constant Mexican pesos as of December 31, 2007)		
Total revenues			
Mexico	Ps. 36,785	Ps. 33,799	Ps. 32,550
Latincentro[1]	15,993	12,791	11,741
Venezuela	22,430	15,182	9,785
Mercosur[2]	27,559	21,204	15,175
Gross profit			
Mexico	Ps. 18,389	Ps. 17,315	Ps. 17,017
Latincentro[1]	7,690	6,057	5,667
Venezuela	9,950	6,294	4,002
Mercosur[2]	11,786	9,415	6,689
Income from operations			
Mexico	Ps. 6,849	Ps. 6,715	Ps. 6,598
Latincentro[1]	2,937	2,370	1,967
Venezuela	1,815	1,289	575
Mercosur[2]	4,234	3,321	2,346

(1) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(2) Includes Brazil and Argentina.

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Consolidated Results of Operations

Total Revenues. Consolidated total revenues increased 23.9% to Ps. 102,767 million in 2009, as compared to 2008, as a result of revenue growth in all of our divisions. Organic growth across our operations contributed more than 75% of incremental revenues; the acquisitions of REMIL in Brazil and the Brisa water business in Colombia together contributed slightly less than 15% and a positive exchange rate translation effect, resulting from the depreciation of the Mexican peso against the local currencies in the other countries where we operate, accounted for approximately 10%, representing the balance. For comparison purposes, REMIL was first included in our operating results beginning June 1, 2008. REMIL was included as an acquisition during the months of January through May 2009. Brisa has been included in our operating results for Colombia, the Latincentro division and on a consolidated basis beginning June 1, 2009. On a currency neutral basis and excluding the acquisitions of REMIL and Brisa, our consolidated revenues for 2009 would have increased by approximately 19%.

Total sales volume increased 8.3% to 2,428.6 million unit cases in 2009, as compared to 2008. Excluding the acquisitions of REMIL and Brisa, total sales volume increased 5.1% to reach 2,357.0 million unit cases. Organic volume growth was a result of (1) growth in sparkling beverages, driven by a 4% increase in the *Coca-Cola* brand across our territories, accounting for approximately 45% of incremental volumes, (2) growth in the still beverage category, mainly driven by the Jugos del Valle line of products in our operations in Mexico and Colombia, contributing less than 45% of incremental volumes and (3) a 4% increase in our bottled water category, representing the balance.

Consolidated average price per unit case grew 13.9%, reaching Ps. 40.95 in 2009, as compared to Ps. 35.94 in 2008. The increase in consolidated average price per unit case resulted from price increases implemented across our territories and higher volumes of sparkling beverages, which carry higher average price per unit case.

Gross Profit. Gross profit increased 22.3% to Ps. 47,815 million in 2009, as compared to 2008, driven by gross profit growth across all of our divisions. Cost of goods sold increased 25.2% as a result of (1) the devaluation of local currencies in our operations in Mexico, Colombia and Brazil as applied to our U.S. dollar-denominated raw material costs, (2) the higher cost of sweetener across our operations, (3) the integration of REMIL and (4) the third and final stage of the scheduled Coca-Cola Company concentrate price increase announced in 2006 in Mexico, all of which were partially offset by lower resin costs. Gross margin reached 46.5% in 2009, a decrease of 60 basis points as compared to 2008.

The components of cost of goods sold include raw materials (principally soft drink concentrate and sweeteners), packaging materials, depreciation expenses attributable to our production facilities, wages and other employment expenses associated with the labor force employed at our production facilities and certain overhead expenses. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and high fructose corn syrup, which we use as a sweetener in some countries, are denominated in U.S. dollars.

Operating Expenses. Consolidated operating expenses as a percentage of total revenues increased to 31.1% in 2009 from 30.6% in 2008. Operating expenses in absolute terms increased 26.0% mainly as a result of (1) higher labor costs in Venezuela, (2) increased marketing investments in the Mexico division to support execution in the marketplace, widen our cooler coverage and increase our returnable base, (3) the integration of REMIL in Brazil and (4) increased marketing expenses in the Latincentro division mainly due to the integration of the Brisa portfolio in Colombia and the continued expansion of the Jugos del Valle line of products in Colombia and Central America.

Income from Operations. Consolidated operating income increased 15.6% to Ps. 15,835 million in 2009, as compared to 2008. Increases in operating income from our Latincentro division, including Venezuela, accounted for approximately 50% of this growth, while operating income growth in our Mercosur division accounted for more than 40% of incremental operating income. Our operating margin was 15.4% in 2009, a decline of 110 basis points as compared to 2008.

Other Expenses, Net. During 2009, we recorded Ps. 1,449 million in other expenses. These expenses were mainly composed of employee profit sharing and the loss on the sale of certain fixed assets.

Comprehensive Financing Result. The term comprehensive financing result refers to the combined financial effects of net interest expense, net foreign exchange gains or losses, and net gains or losses on monetary position from our countries which qualify as inflationary economies. Net foreign exchange gains or losses represent the impact of changes in foreign-exchange rates on assets or liabilities denominated in currencies other than local currencies and gains or losses resulting from derivative financial instruments. A foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing result in 2009 recorded an expense of Ps. 1,373 million, as compared to an expense of Ps. 3,552 million in 2008, mainly due to the appreciation of the Mexican peso as applied to a lower U.S. dollar-denominated net debt position and lower interest expenses due to lower gross debt.

Income Taxes. Income taxes increased to Ps. 4,043 million in 2009 from Ps. 2,486 million in 2008. During 2009, taxes as a percentage of income before taxes were 31.1% as compared to 29.9% in the previous year. The difference in the effective tax rate was mainly due to the reversal of a tax allowance during 2008 recorded in previous periods.

Net Controlling Interest Income. Consolidated net controlling interest income (previously referred to as majority net income under Mexican Financial Reporting Standards) was Ps. 8,523 million in 2009, an increase of 52.3% compared to 2008, mainly reflecting higher operating income in combination with a more favorable comprehensive financing result. Net controlling interest earnings per share, or EPS, was Ps. 4.62 (Ps. 46.16 per ADS) in 2009, computed on the basis of 1,846.5 million shares outstanding (each ADS represents 10 local shares).

Consolidated Results of Operations by Geographic Segment

Mexico

Total Revenues. Total revenues from our Mexico division increased 8.8% to Ps. 36,785 million in 2009, as compared to 2008. Incremental volumes accounted for close to 80% of incremental revenues during this period. Average price per unit case increased to Ps. 29.86, a 1.9% increase, as compared to 2008, mainly reflecting higher volumes from the *Coca-Cola* brand, which carries higher average prices per unit case, higher average prices per unit case from our growing still beverage portfolio and selective price increases implemented during the fourth quarter of 2009. Excluding bulk water under the *Ciel* brand, our average price per unit case was Ps. 34.89, a 1.7% increase, as compared to 2008.

Total sales volume increased 6.8% to 1,227.2 million unit cases in 2009, as compared to 1,149.0 million unit cases in 2008, resulting from (1) incremental volumes of the *Coca-Cola* brand, that grew more than 6%, (2) an increase of more than 80% in the still beverage category, driven by the Jugos del Valle product line and (3) more than 6% volume growth in our bottled water business, including bulk water.

Operating Income. Gross profit increased 6.2% to Ps. 18,389 million in 2009, as compared to 2008. Cost of goods sold increased 11.6% mainly as a result of (1) the devaluation of the Mexican peso as applied to our U.S. dollar-denominated raw material costs, (2) the third and final stage of the scheduled Coca-Cola Company concentrate price increase and (3) higher sweetener costs, all of which were partially offset by lower resin costs. Gross margin decreased from 51.2% in 2008 to 50.0% in 2009.

Operating income increased 2.0% to Ps. 6,849 million in 2009, compared to Ps. 6,715 million in 2008. Operating expenses grew 8.9% as a result of increased marketing investment to support our execution in the marketplace and higher selling expenses, mainly due to the integration of the specialized Jugos del Valle sales force and the development of the jug water business in the Valley of Mexico during the first half of 2009. Our operating margin was 18.6% in 2009, a decrease of 130 basis points as compared to 2008, mainly due to gross margin pressures.

Latincentro (Colombia and Central America)

Total Revenues. Total revenues for Colombia and Central America were Ps. 15,993 million in 2009, an increase of 25.0% as compared to 2008. Higher average price per unit case and volume growth each contributed equally to incremental revenues during this period. Consolidated average price per unit case for Colombia and Central America was Ps. 43.47 in 2009, representing a 12.5% increase as compared to 2008. Organic growth across our operations contributed more than 45% of incremental revenues, a positive currency translation effect, resulting from the depreciation of the Mexican peso against our operation s local currencies, represented approximately 40% of incremental revenues and the integration of Brisa represented the balance. Without the effect of a currency translation and excluding the acquisition of Brisa, our Colombian and Central American revenues would have increased by approximately 12%.

Total sales volume for Colombia and Central America increased 11.3% to 368.0 million unit cases in 2009 resulting from (1) a more than 85% growth in our bottled water business, due to the integration of Brisa in Colombia, accounting for close to 60% of incremental volumes, (2) an increase of more than 95% in the still

beverage category, driven by the Jugos del Valle product line, contributing more than 35% of the incremental and (3) incremental volumes of the *Coca-Cola* brand, that grew 3%, representing the balance.

Operating Income. Gross profit was Ps. 7,690 million, an increase of 27.0% in 2009, as compared to 2008. Cost of goods sold increased 23.3%, mainly as a result of higher sweetener costs and the depreciation of certain local currencies as applied to our U.S. dollar-denominated raw material costs, which were partially offset by the lower cost of resin. Gross margin increased from 47.4% in 2008 to 48.1% in 2009, an expansion of 70 basis points.

Our operating income increased 23.9% to Ps. 2,937 million in 2009, compared to the previous year. Operating expenses grew 28.9% as a result of increased marketing expenses, mainly due to the integration of the *Brisa* portfolio in Colombia and the continued expansion of the Jugos del Valle line of business in Colombia and Central America. Our operating margin reached 18.4% in 2009, resulting in a 10 basis points decline as compared to 2008.

Venezuela

Total Revenues. Total revenues in Venezuela reached Ps. 22,430 million in 2009, an increase of 47.7% as compared to 2008. Higher average price per unit case accounted for approximately 75% of incremental revenues during the period. Average price per unit case was Ps. 99.47 in 2009, representing an increase of 35.6% as compared to 2008. Without the negative effect of currency translation resulting from the appreciation of the Mexican peso against our operation s local currency, our revenues in Venezuela would have increased by approximately 53%.

Total sales volume increased 9.0% to 225.2 million unit cases in 2009, as compared to 206.7 million unit cases in 2008, mainly due to an increase of more than 9% in sparkling beverages sales volume, principally related to flavored sparkling beverages.

Operating Income. Gross profit was Ps. 9,950 million in 2009, an increase of 58.1% compared to 2008. Cost of goods sold increased 40.4% mainly due to higher packaging and sweetener costs. Gross margin increased from 41.5% in 2008 to 44.4% in 2009, an expansion of 290 basis points.

Operating income increased 40.8% to Ps. 1,815 million in 2009 compared to the previous year. Operating expenses grew 62.5% mainly as a result of higher labor costs. Operating margin was 8.1% in 2009, a decline of 40 basis points as compared to 2008.

Mercosur

Total Revenues. Total revenues increased 30.0% to Ps. 27,559 million in 2009, as compared to 2008. Excluding beer, which accounted for Ps. 2,783 million during 2009, total revenues increased 28.2% to Ps. 24,776 million compared to 2008. Organic growth contributed more than 40% of incremental revenues, the acquisition of REMIL in Brazil contributed more than 30% of incremental revenues and a positive exchange rate translation effect, mainly due to the depreciation of the Mexican peso against the Brazilian real, represented the balance. Without the effect of currency translation and the acquisition of REMIL, revenues for 2009 would have increased by approximately 13%.

Sales volume, excluding beer, increased 9.3% to 608.2 million unit cases in 2009, as compared to 2008, mainly due to the acquisition of REMIL. Sales volume, excluding REMIL and beer, increased 1.3% to 564.0 million unit cases. The still beverage category grew almost 55%, as a result of volume increases in flavored bottled water sales in Argentina and the Jugos del Valle line of business in Brazil, which was partially offset by a decline in sparkling beverages in Argentina.

Operating Income. In 2009, gross profit increased 25.2% to Ps. 11,786 million, as compared to the previous year. Cost of goods sold increased 33.8%, due to (i) the integration of REMIL in Brazil, (ii) the devaluation of local currencies as applied to our U.S. dollar-denominated raw material cost and (iii) higher

sweetener costs, all of which were partially compensated by lower resin costs. Gross margin decreased 160 basis points to 42.8% in 2009.

Operating income increased 27.5% to Ps. 4,234 million in 2009, as compared to Ps. 3,321 million in 2008. Operating expenses grew 23.9% mainly due to the integration of REMIL and higher labor and freight costs in Argentina. Operating margin was 15.4% in 2009, a decrease of 30 basis points as compared to 2008.

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Consolidated Results of Operations

Total Revenues. Consolidated total revenues increased 19.8% to Ps. 82,976 million in 2008, as compared to 2007, as a result of growth in all of our divisions. Growth in our Latincentro division was mainly driven by incremental pricing, growth in our Mexico division was mainly driven by incremental volume and growth in the Mercosur division was mainly driven by the integration of REMIL. The Latincentro division and Venezuela accounted for more than 45% of the growth. The Mexico and the Mercosur divisions, excluding the acquisition of REMIL in Brazil, represented close to 30% of incremental revenues. REMIL contributed more than 20% of incremental revenues and the translation effect, represented most of the balance.

Total sales volume increased 5.8% to 2,242.8 million unit cases in 2008, as compared to the previous year. Excluding REMIL, total sales volume increased 2.6% to reach 2,176.7 million unit cases. Our water business, mainly driven by the bulk water business in Mexico, and still beverages, mainly driven by the introduction of Jugos del Valle and the new products derived from that line of business, accounted for approximately 80% of these incremental volumes. Sparkling beverage sales, mainly driven by the *Coca-Cola* brand and the strong performance of *Coca-Cola Zero* outside of Mexico represented the balance.

Consolidated average price per unit case grew 12.5%, reaching Ps. 35.93 in 2008, as compared to Ps. 31.95 in 2007. Price increases implemented in most of our territories and the addition of the Jugos del Valle line of business, which carries higher average prices per unit case, account for this growth.

Gross Profit. Our gross profit increased 17.1% to Ps. 39,081 million in 2008, as compared to the previous year, driven by higher revenues that more than compensated for higher cost of goods sold. Gross profit grew 40.8% in the Mercosur division, 27.7% in the Latincentro and Venezuela divisions and 1.8% in the Mexico division. Cost of goods sold increased 22.4% as a result of cost pressures related to the devaluation of local currencies in most of our operations as applied to our U.S. dollar-denominated raw material costs, the integration of REMIL and lower profitability from the Jugos del Valle line of business in Mexico, as expected in 2008 because of the agreement to retain profits at the joint venture company in 2008 for reinvestment. Gross margin reached 47.1% during 2008, a decrease of 110 basis points as compared to the same period of 2007.

Operating Expenses. Consolidated operating expenses as a percentage of total revenues decreased to 30.6% in 2008 from 31.6% in 2007 as a result of higher revenue growth that compensated for higher operating expenses. Operating expenses in absolute terms increased 16.0% year-over-year mainly as a result of salary increases in excess of inflation in some of the countries in which we operate and higher operating expenses in the Mercosur division, mainly due to the integration of REMIL, that were partially offset by lower marketing investment in some of our operations.

Income from Operations. Our consolidated income from operations increased 19.2% to Ps. 13,695 million in 2008, as compared to 2007. Our Mercosur division and Latincentro along with Venezuela, each accounted for more

than 40% of this growth. Our operating margin remained relatively flat at 16.5% in 2008 compared to 16.6% in 2007.

Other Expenses, Net. During 2008, we have a net balance Ps. 1,831 million in the other expenses line. These expenses were mainly composed of (1) the write off of fixed assets related to the closing of two of our production facilities in Mexico, (2) the loss on sale of fixed assets and (3) employee profit sharing.

Comprehensive Financing Result. Our comprehensive financing result in 2008 showed an expense net balance of Ps. 3,552 million as compared to Ps. 345 million in 2007, mainly due to a foreign exchange loss driven by the devaluation of the Mexican peso as applied to our U.S. dollar-denominated debt and a less favorable monetary position resulting from the discontinuation of inflationary accounting in 2008 for our subsidiaries in Mexico, Guatemala, Panama, Colombia and Brazil.

Income Taxes. Income taxes decreased to Ps. 2,486 million in 2008 from Ps. 3,336 million in 2007. During 2008, taxes as a percentage of income before taxes were 29.9% as compared to 32.0% in 2007. The effective tax rate in 2008 was lower than the one of 2007.

Net Controlling Interest Income. Our consolidated net controlling interest income was Ps. 5,598 million in 2008, a decrease of 19.0% compared to 2007, mainly reflecting the depreciation of the Mexican peso as applied to our U.S. dollar-denominated debt. Net controlling interest EPS was Ps. 3.03 (Ps. 30.32 per ADS) in 2008, computed on the basis of 1,846.5 million shares outstanding (each ADS represents 10 local shares).

Consolidated Results of Operations by Geographic Segment

Mexico

Total Revenues. Total revenues from our Mexico division increased 3.8% to Ps. 33,799 million in 2008, as compared to the previous year. Incremental volumes accounted for the majority of incremental revenues during the year. Average price per unit case increased to Ps. 29.30, a 0.4% increase, as compared to 2007, reflecting higher average prices per unit case from our growing still beverage portfolio that were partially offset by lower average prices per unit case in flavored sparkling beverages and higher volumes of the *Coca-Cola* brand in multiserve presentations, which carry a lower price per unit case. Excluding bulk water under the *Ciel* and *Agua De Los Angeles* brands, our average price per unit case was Ps. 34.39, a 1.2% increase as compared to 2007.

Total sales volume increased 3.5% to 1,149.0 million unit cases in 2008, as compared to 1,110.4 million unit cases in 2007, resulting from the incremental volumes in the still beverage category, which were three times higher than in 2007, driven by the Jugos del Valle product line and more than 8% volume growth in our bottled water business, including bulk water. In the sparkling beverage category, incremental volumes of the *Coca-Cola* brand partially compensated for a flavored sparkling beverages decrease, resulting in a slight decline of 0.3%.

Income from Operations. Our gross profit increased 1.8% to Ps. 17,315 million in 2008 as compared to 2007. Cost of goods sold increased 6.1% as a result of lower profitability from the Jugos del Valle line of business, as expected in 2008 because of the agreement to retain profits at the joint venture company in 2008 for reinvestment, and the second stage of the scheduled increase in concentrate prices from The Coca-Cola Company, that offset lower year-over-year sweetener costs. Gross margin decreased from 52.3% in 2007 to 51.2% in 2008.

Income from operations increased 1.8% to Ps. 6,715 million in 2008, compared to Ps. 6,598 million in 2007, as a result of revenue growth and stable operating expenses, which more than compensated for higher cost of goods sold. Our operating margin was 19.9% in 2008, a decrease of 40 basis points as compared to 2007.

Latincentro (Colombia and Central America)

Total Revenues. Total consolidated revenues for Colombia and Central America reached Ps. 12,791 million in 2008, an increase of 8.9% as compared to 2007. Higher average price per unit case accounted for more than 50% of incremental revenues during the year. Consolidated average price per unit case for Colombia and Central America

reached Ps. 38.64 in 2008, representing a 7.4% increase as compared to 2007. Although the Mexican peso depreciated as against the U.S. dollar, other local currencies depreciated less, leading to a positive exchange rate translation effect that represented close to 40% of incremental revenues while volume growth represented the balance. Excluding this translation effect, revenues would have increased 5.5%.

Total consolidated sales volume for Colombia and Central America increased 1.4% to 330.5 million unit cases in 2008, as compared to the previous year. Sales resulting from the introduction of the Jugos del Valle line of business in Colombia and Central America provided more than 85% of this growth and increases in sparkling beverages across Central America provided the balance.

Income from Operations. Gross profit reached Ps. 6,057 million, an increase of 6.9% in 2008, as compared to 2007. Cost of goods sold increased 10.9% mainly driven by higher PET cost in combination with the depreciation of some local currencies as applied to our U.S. dollar-denominated packaging costs and higher sweetener costs in Central America. Gross margin decreased from 48.3% in 2007 to 47.4% in 2008, a decrease of 90 basis points.

Our income from operations increased 20.5% to Ps. 2,370 million in 2008, compared to the previous year, as a result of higher revenues combined with stable operating expenses including lower marketing expenses in Colombia and Central America. Our operating margin reached 18.5% in 2008, resulting in a 178 basis points expansion as compared to 2007.

Venezuela

Total Revenues. Total revenues in Venezuela reached Ps. 15,182 million in 2008, an increase of 55.2% as compared to 2007. Higher average price per unit case accounted for close to 90% of incremental revenues during the year. Average price per unit case reached Ps. 73.36 in 2008, representing a 57.0% increase as compared to 2007. The devaluation of the Mexican peso as against the Venezuelan bolivar resulted in a positive exchange rate translation effect that represented the balance of the total revenue growth in Venezuela. Excluding this translation effect, our Venezuela revenues would have increased 48.9%.

Total sales volume in Venezuela decreased 1.1% to 206.7 million unit cases in 2008, as compared to the previous year. The volume decline was a result of various short-term operating disruptions that we faced during the year.

Income from Operations. Gross profit reached Ps. 6,294 million, an increase of 57.3% in 2008, as compared to 2007. Cost of goods sold increased 53.7% mainly driven by higher packaging cost in combination with higher sweetener costs. Gross margin increased from 40.9% in 2007 to 41.5% in 2008, an expansion of 60 basis points.

Our income from operations increased 124.2% to Ps. 1,289 million in 2008, compared to the previous year, as a result of higher revenues that were partially compensated by higher labor costs in Venezuela. Our operating margin reached 8.5% in 2008, resulting in a 260 basis points expansion as compared to 2007.

Mercosur

Net Revenues. Net revenues increased 38.4% to Ps. 20,870 million in 2008, as compared to 2007. Excluding beer, which accounted for Ps. 1,881 million during the year, total revenues increased 36.9% to Ps. 18,989 million, compared to 2007. The acquisition of REMIL accounted for close to 55% of this growth and higher average prices per unit case and volume growth accounted for the balance.

Sales volume, excluding beer, increased 17.1% to 556.6 million unit cases in 2008, as compared to 2007, mainly driven by the acquisition of REMIL. Sales volume, excluding REMIL and beer, increased 3.1% to reach 490.4 million unit cases. Sparkling beverages volume growth accounted for almost 80% of these incremental volumes, mainly driven by the *Coca-Cola* brand and the strong performance of *Coca-Cola Zero*. Bottled water in Brazil and still beverages in Argentina provided the balance.

Income from Operations. In 2008, our gross profit increased 40.8% to Ps. 9,415 million, as compared to the previous year. Cost of goods sold increased 38.9%, driven by (1) the integration of REMIL, (2) the devaluation of local currencies as applied to our U.S. dollar-denominated raw material cost and (3) higher sweetener costs in Brazil, as compared to last year. Our Mercosur division s gross margin increased 30 basis points to 44.4% in 2008.

Income from operations increased 41.6%, reaching Ps. 3,321 million in 2008, as compared to Ps. 2,346 million in 2007. Operating leverage achieved by higher revenues more than compensated for (1) higher expenses related to expansion in our cooler coverage, (2) the renewal of our distribution fleet in Brazil, in order to comply with new traffic regulations in the city of Sao Paulo, and (3) higher labor and freight costs in Argentina. Our operating margin was 15.7% in 2008, an increase of 20 basis points as compared to 2007.

Liquidity and Capital Resources

Liquidity. The principal source of our liquidity is cash generated from operations. A significant majority of our sales are on a cash basis with the remainder on a short-term credit basis. We have traditionally been able to rely on cash generated from operations to fund our working capital requirements and our capital expenditures. Our working capital benefits from the fact that most of our sales are made on a cash basis, while we generally pay our suppliers on credit. In recent periods, we have mainly used cash generated from operations to fund acquisitions.

We have also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets.

Our total indebtedness was Ps. 15,925 million as of December 31, 2009, as compared to Ps. 18,574 million as of December 31, 2008. Short-term debt and long-term debt were Ps. 5,427 million and Ps. 10,498 million, respectively, as of December 31, 2009, as compared to Ps. 6,119 million and Ps. 12,455 million, respectively, as of December 31, 2008. Total debt decreased Ps. 2,649 million in 2009 mainly as a result of the maturity of the outstanding balance of our senior notes in the amount of US$ 265 million and the maturity of our Mexican peso-denominated bond, *Certificado Bursátil* KOF 03-6 in the amount of Ps. 500 million, both in July 2009. In addition, during 2009 we decreased our debt denominated in Colombian pesos by an amount equivalent to US$ 100 million (as calculated at the exchange rate on December 31, 2009). Net debt decreased Ps. 6,197 in 2009 mainly as a result of cash generated by operations during the year. As of December 31, 2009, cash and cash equivalents, including marketable securities, were Ps. 9,740 million, as compared to Ps. 6,192 million as of December 31, 2008. As of December 31, 2009, our cash, cash equivalents and marketable securities were comprised of 45.8% U.S. dollars, 27.7% Mexican pesos, 19.0% Brazilian reais, 3.7% Venezuelan bolivares, 2.5% Colombian pesos and 0.7% Argentinean pesos. As of March 31, 2010, our cash, cash equivalents and marketable securities balance was Ps. 14,681 million, including US$ 835.7 million denominated in U.S. dollars. These funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

As part of our financing policy, we expect to continue to finance our liquidity needs from cash from operations. Nonetheless, as a result of regulations in certain countries in which we operate, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable for us to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, we may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In addition, our liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls. In the future we may be required to finance our working capital and capital expenditure needs with short-term or other borrowings.

In January 2010, the Venezuelan government announced a devaluation of its official exchange rates and the establishment of a multiple exchange rate system of: (1) 2.60 bolivares to US$ 1.00 for high priority categories (2) 4.30 bolivares to US$ 1.00 for non-priority categories and (3) the recognition of the existence of other exchange rates which the government shall determine. We expect this devaluation will have an adverse impact on our financial

results, by increasing our operating costs and by reducing the Mexican peso amounts from our Venezuelan operations reported in our financial statements as a result of the translation accounting rules under Mexican Financial Reporting Standards. The exchange rate that will be used to translate our financial statements as of January 2010 will be 4.30 bolivares per U.S. dollar. As of December 31, 2009, the financial statements were translated to Mexican pesos using the exchange rate of 2.15 bolivares per U.S. dollar. As a result of this devaluation, the balance sheet of our Venezuelan subsidiary will reflect a reduction in shareholders equity of approximately Ps. 3,700 million, accounted for in January 2010.

We continuously evaluate opportunities to pursue acquisitions or engage in strategic transactions. We would expect to finance any significant future transactions with a combination of any of cash from operations, long-term indebtedness and the issuance of shares of our company.

Sources and Uses of Cash. In 2008, we adopted NIF B-2 Statement of Cash Flows which presents cash inflows and outflows in nominal currency as part of our consolidated financial statements, replacing the statement of changes in financial position, which included inflation effects and unrealized foreign exchange effects. The cash flow statement is presented for the years ended December 31, 2009 and 2008 and the statements of changes in financial position, for the year ended December 31, 2007. The application of this standard is prospective, therefore the cash flow statement is not comparable to the statements of changes in financial position.

The following table summarizes the sources and uses of cash for the years in the periods ended December 31, 2009 and 2008, from our consolidated statements of cash flows:

Principal Sources and Uses of Cash
Years ended December 31, 2009 and 2008

(in millions of Mexican pesos)

	2009	**2008**
Net cash flows from operating activities	Ps. 16,840	Ps. 12,139
Net cash flows used in investing activities[1]	(8,900)	(7,299)
Net cash flows used in financing activities[2]	(6,029)	(5,261)
Dividends declared and paid	(1,344)	(945)

(1) Includes property, plant and equipment, investment in shares and other assets.

(2) Includes dividends declared and paid.

The following table summarizes the sources and uses of cash for the year in the period ended December 31, 2007, from our consolidated statement of changes in financial position:

Principal Changes in Financial Position
Year ended December 31, 2007

(in millions of constant Mexican pesos at December 31, 2007)

		2007
Net resources generated by operations	Ps.	8,961
Net resources used in investing activities[1]		(4,752)
Net resources used in financing activities[2]		(1,741)
Dividends declared and paid		(831)

(1) Includes property, plant and equipment, investment in shares and other assets.

(2) Includes dividends declared and paid.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2009:

	Maturity (in millions of Mexican pesos)				
	Less than 1 year	1-3 years	4 5 years	In excess of 5 years	Total
Debt[1]					
Mexican pesos	Ps. 3,000	Ps. 3,333	Ps. 4,217	Ps.	Ps. 10,550
U.S. dollars		2,873			2,873
Venezuelan bolivares	741				741
Colombian pesos	496				496
Argentine pesos	1,179	69			1,248
Capital Leases					
Brazilian reais		2			2
U.S. dollars	11	4			15
Interest Payments on Debt[2]					
Mexican pesos	429	862	265		1,556
U.S. dollars	16	34			50
Venezuelan bolivares	29				29
Colombian pesos	12				12
Argentine pesos	153	4			157
Interest Rate					

Swaps[3]					
Mexican pesos	(2)	(62)	(28)		(92)
U.S. dollars		(30)	(11)		(41)
Cross Currency Swaps[4]					
Mexican pesos to U.S. dollars[5]		(354)			(354)
Operating Leases					
Mexican pesos	233	643	149	824	1,849
U.S. dollars	9	16			25
Commodity Hedge Contracts					
Sugar	96	38			134
Expected Benefits to be Paid for Pension and Retirement Plans and Seniority Premium	49	84	90	369	592
Other Long-Term Liabilities[6]				7	7

(1) Excludes the effect of cross currency swaps.

(2) Interest was calculated using debt as of and nominal interest rate amounts in effect on December 31, 2009. Liabilities denominated in U.S. dollars were translated to Mexican pesos at an exchange rate of Ps. 13.0587 per U.S. dollar, the exchange rate quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2009.

(3) Reflects the market value as of December 31, 2009 of interest rates swaps that are considered hedges for accounting purposes. The amounts shown in

the table are fair value figures at December 31, 2009.

(4) Includes cross currency swap contracts held as of December 31, 2009. U.S. dollar-denominated amounts were translated to Mexican pesos as described in footnote (2) above. The amounts shown in the table are fair value figures at December 31, 2009.

(5) Cross-currency swaps used to convert Mexican peso-denominated floating rate debt into U.S. dollar-denominated floating rate debt with a notional amount of Ps. 196 million with maturity date as of September 16, 2011, Ps. 392 million with maturity date as of December 2, 2011, Ps. 979 million with maturity date as of December 5, 2011 and Ps. 457 million with maturity date as of March 2, 2012. These cross-currency swaps are not considered hedges for accounting purposes.

(6) Other long-term liabilities reflects liabilities whose maturity dates are undefined and depends on a series of circumstances out of our control, therefore these liabilities have been considered to have a maturity of more than five years.

Debt Structure

The following chart sets forth the current debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2009:

Currency	Percentage of Total Debt[(1)]	Average Nominal Rate[(2)]	Average Adjusted Rate[(1)(3)]
U.S. dollars	30.2%	3.2%	2.6%
Mexican pesos	54.5%	6.6%	7.2%
Venezuelan bolivares	3.0%	18.9%	18.9%
Colombian pesos	4.6%	12.5%	12.5%
Argentine pesos	7.7%	21.6%	21.6%

(1) Includes the effect of derivative contracts held by us as of December 31, 2009, including cross currency swaps from Mexican pesos to U.S. dollars and U.S. dollar.

(2) Annual weighted average interest rate per currency as of December 31, 2009.

(3) Annual weighted average interest rate per currency as of December 31, 2009 after giving effect to interest rate swaps and cross currency swaps. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.

Summary of Significant Debt Instruments

The following is a brief summary of our significant long-term indebtedness with restrictive covenants outstanding as of April 19, 2010:

4.625% Notes due 2020. On February 5, 2010, we issued 4.625% Senior Notes due on February 15, 2020, in an aggregate principal amount of US$ 500 million. The indenture imposes certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and sale and leaseback transactions by us or our significant subsidiaries.

Bank Loans. As of December 31, 2009, we had a number of loans with individual banks in Mexican pesos, U.S. dollars and Argentine pesos, with an aggregate principal amount of Ps. 7,492 million. The bank loans denominated in Mexican pesos and U.S. dollars contain restrictions on liens, fundamental changes such as mergers and sale of certain

assets. In addition, we are required to comply with a maximum net leverage ratio. As of December 31, 2009, our net leverage ratio was 0.3. Finally, there is a mandatory prepayment clause in which the lender has the option to require us to prepay such loans upon a change of control.

***Mexican Peso-Denominated Bonds* (*Certificados Bursátiles*)**. During March 2007, we established a program for the following *certificados bursátiles* in the Mexican securities markets:

Issue Date	Maturity	Amount	Rate
2007	March 2, 2012	Ps. 3,000 million	28-day TIIE[(1)] 6 bps
2009	February 12, 2010	Ps. 2,000 million	28-day TIIE[(1)] + 80 bps

(1) TIIE means the *Tasa de Interés Interbancaria de Equilibrio* (the Equilibrium Interbank Interest Rate).

Our 2007 *certificados bursátiles* contain reporting obligations in which we will furnish to the bondholders, audited financial reports and consolidated financial reports.

We used part of the net proceeds from the sale of our 4.625% Senior Notes due 2020, to repay our Ps. 2,000 million (US$ 148 million) *certificados bursátiles*, which matured on February 25, 2010, and our Ps. 1,000 million (US$ 74 million) *certificados bursátiles*, which matured on April 16, 2010.

We are in compliance with all of our restrictive covenants as of April 19, 2010. A significant and prolonged deterioration in our consolidated results of operations could cause us to cease to be in compliance under certain indebtedness in the future. We can provide no assurances that we will be able to incur indebtedness or to refinance existing indebtedness on similar terms in the future.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contingencies

We are party to a number of tax, legal and labor proceedings that have arisen throughout the normal course of our business and which are common in the industry in which we operate.

We recognize a liability for a loss contingency when it is probable that certain effects related to past events would materialize and can be reasonably quantified. The following table presents in millions of Mexican pesos the nature and amount of the recorded loss contingencies as of December 31, 2009:

	Long-Term	
Indirect tax	Ps.	1,084
Legal		1,182
Labor		201
Total	Ps.	2,467

We do not recognize an asset as a contingency gain until the gain is realized. When the risk of loss is deemed to be other than remote, but less than probable, according to a legal assessment, its financial impact is disclosed as loss contingencies in the notes of the consolidated financial statements. The estimated amount of the damages sought in these proceedings is Ps. 7,230 million. The ultimate resolution of such legal proceedings will not have a material adverse effect on our consolidated financial position or result of operations.

In recent years, our Mexican, Costa Rican and Brazilian subsidiaries have been required to submit certain information to relevant authorities regarding possible monopolistic practices. Such proceedings are a normal occurrence in the beverage industry and we do not expect any significant liability to arise from these contingencies.

As is customary in Brazil, we have been required by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 2,342 million and Ps. 1,853 million as of December 31, 2009 and 2008, respectively, by pledging fixed assets, or providing bank guarantees.

In connection with certain past business combinations, we have been indemnified by the sellers for certain contingencies.

Capital Expenditures

The following table sets forth our capital expenditures, including investment in property, plant and equipment, deferred charges and other investments for the periods indicated on a consolidated and by segment basis:

57

Consolidated Capital Expenditures

	Year ended December 31,		
	2009	2008	2007[1]
	(millions of Mexican pesos)		
Property, plant and equipment, deferred charges and other investments	Ps. 6,282	Ps. 4,802	Ps. 3,682

(1) Expressed in millions of constant Mexican pesos at December 31, 2007.

Capital Expenditures by Segment

	Year Ended December 31,		
	2009	2008	2007[1]
	(millions of Mexican pesos)		
Mexico	Ps. 2,710	Ps. 1,926	Ps. 1,945
Latincentro[2]	1,269	1,209	971
Venezuela	1,248	715	(9)
Mercosur[3]	1,055	952	775
Total	Ps. 6,282	Ps. 4,802	Ps. 3,682

(1) Expressed in millions of constant Mexican pesos at December 31, 2007.

(2) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(3) Includes Brazil and Argentina.

In 2009, we focused our capital expenditures on investments in (1) increasing plant operating capacity, (2) improving the efficiency of our distribution infrastructure, (3) placing coolers with retailers, (4) returnable bottles and cases and (5) information technology. Through these measures, we strive to improve our profit margins and overall profitability.

We have budgeted up to US$ 500 million for our capital expenditures in 2010. Our capital expenditures in 2010 are primarily intended for:

investments in manufacturing lines;

returnable bottles and cases;

market investments (primarily for the placement of coolers);

improvements throughout our distribution network; and

investments in information technology.

We estimate that of our projected capital expenditures for 2010, approximately 45% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2010. Our capital expenditure plan for 2010 may change based on market and other conditions and our results of operations and financial resources.

Historically, The Coca-Cola Company has contributed to our capital expenditure program. We generally utilize these contributions for initiatives that promote volume growth of *Coca-Cola* trademark beverages, including the placement of coolers with retailers. Such payments may result in a reduction in our selling expenses line. Contributions by The Coca-Cola Company are made on a discretionary basis. Although we believe that The Coca-Cola Company will make additional contributions in the future to assist our capital expenditure program based on

past practice and the benefits to The Coca-Cola Company as owner of the *Coca-Cola* brands from investments that support the strength of the brands in our territories, we can give no assurance that any such contributions will be made.

Hedging Activities

We hold or issue derivative instruments to hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates and commodity price risk. See Item 11. Quantitative and Qualitative Disclosures about Market Risk.

The following table provides a summary of the fair value of derivative instruments as of December 31, 2009. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which are also our counterparties to the relevant contracts.

	Fair Value At December 31, 2009				
	Maturity less than 1 year	Maturity 1 3 years	Maturity 4 5 years	Maturity in excess of 5 years	Total fair value
	(millions of Mexican pesos)				
Interest Rate Swaps					
Mexican pesos	(2)	(62)	(28)	-	(92)
U.S. dollars	-	(30)	(11)	-	(41)
Cross Currency Swaps					
Mexican pesos to U.S. dollars	-	(354)	-	-	(354)
Commodity Hedge Contracts					
Sugar	96	38	-	-	134

U.S. GAAP Reconciliation

The principal differences between Mexican Financial Reporting Standards and U.S. GAAP that affect our net income and equity are explained in Note 26 to our consolidated financial statements and primarily relate to the accounting and disclosure for:

restatement of prior year financial statements;

classification differences;

deferred promotional expenses;

intangible assets;

restatement of imported equipment;

capitalization of comprehensive financing result;

fair value financial instruments;

deferred income tax, employee profit sharing and uncertain tax positions;

employee benefits;

non-controlling interest acquisition in Colombia; and

statement of cash flows.

A more detailed description of the differences between Mexican Financial Reporting Standards and U.S. GAAP as they relate to us and a reconciliation of net income and shareholders equity under Mexican Financial Reporting Standards to net income and equity under U.S. GAAP are contained in Notes 26 and 27 to our consolidated financial statements.

Pursuant to Mexican Financial Reporting Standards, our consolidated financial statements recognize effects of inflation in accordance with Bulletin B-10. These effects were not reversed in the reconciliation to U.S. GAAP.

Under U.S. GAAP, we had consolidated net income of Ps. 8,853 million in 2009, Ps. 5,802 million in 2008 and Ps. 6,953 million in 2007. Consolidated net income as reconciled to U.S. GAAP was lower than consolidated net income as reported under Mexican Financial Reporting Standards by Ps. 117 million in 2009, Ps. 24 million in 2008 and lower by Ps. 150 million in 2007.

Equity under U.S. GAAP was Ps. 66,037 million, Ps. 56,468 million and Ps. 51,125 million in 2009, 2008, and 2007, respectively. Compared to shareholders equity under Mexican Financial Reporting Standards, equity under U.S. GAAP was lower by Ps. 2,435 million, lower by Ps. 1,148 million and higher by Ps. 344 million in 2009, 2008 and 2007, respectively.

Item 6. Directors, Senior Management and Employees

Directors

Management of our business is vested in our board of directors and in our chief executive officer. Our bylaws provide that our board of directors will consist of eighteen directors elected at the annual ordinary shareholders meeting for renewable terms of one year. Our board of directors currently consists of 18 directors and 17 alternate directors. The directors are elected as follows: 11 directors and their respective alternate directors are elected by holders of the Series A Shares voting as a class; 4 directors and their respective alternate directors are elected by holders of the Series D Shares voting as a class; and 3 directors and their respective alternate directors are elected by holders of the Series L Shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class.

In accordance with our bylaws and article 24 of the Mexican Securities Market Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law).

In addition, shareholders holding duly paid Series B Shares or any duly paid limited voting shares that did not vote in favor of the directors elected, either individually or acting together with other dissenting shareholders of any series, are entitled to elect one additional director and the corresponding alternate director for each 10% of our outstanding capital stock held by such individual or group and to remove one director and the corresponding alternate. The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

Our bylaws provide that the board of directors shall meet at least four times a year. Since our major shareholders amended their Shareholders Agreement in February 2010, our bylaws were modified accordingly establishing that actions by the board of directors must be approved by at least a majority of the directors present and voting, except under certain limited circumstances which must include the favorable vote of at least two directors elected by the Series D Shares. See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement. The chairman of the board of directors, the chairman of our audit or corporate practices committee, or at least 25% of our directors may call a board of directors meeting to include matters in the meeting agenda.

See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions for information on relationships with certain directors and senior management.

As of April 14, 2010, our board of directors had the following members:

Series A Directors

José Antonio Fernández Carbajal *Chairman*	Born:	February 1954
	First elected:	1993, as director; 2001 as chairman
	Term expires:	2011
	Principal occupation:	Chief Executive Officer, FEMSA.
	Other directorships:	Chairman of the board of directors of FEMSA. Vice-Chairman of the board of directors of Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM). Member of the boards of directors of Grupo Financiero BBVA Bancomer (BBVA Bancomer); Industrias Peñoles, S.A.B. de C.V. (Peñoles); Grupo Industrial Bimbo, S.A.B. de C.V. (Bimbo); Grupo Televisa S.A.B. (Televisa); Controladora Vuela Compañia de Aviación, S.A. de C.V. (Volaris); and Cemex, S.A.B. de C.V. (Cemex).
	Business experience:	Joined FEMSA s strategic planning department in 1987; held managerial positions at FEMSA Cerveza s Commercial Division and the Oxxo Retail Chain. Appointed Chief Executive Officer of FEMSA in 1995.
	Education:	Holds a degree in Industrial Engineering and a Masters in Business Administration (MBA) from ITESM.
	Alternate director:	Alfredo Livas Cantú
Alfonso Garza Garza[1] *Director*	Born:	July 1962
	First elected:	1996
	Term expires:	2011
	Principal occupation:	Chief Human Resources Procurement and Technology Information Officer, FEMSA.

Business experience:	Has experience in several FEMSA business units and departments, including domestic sales, international sales, procurement and marketing, mainly at FEMSA Empaques, S.A. de C.V., or FEMSA Empaques, and FEMSA Cerveza, and was Chief Executive Officer of FEMSA Empaques.
Education:	Holds a degree in Industrial Engineering from ITESM and an MBA from Instituto Panamericano de Alta Dirección de Empresa (IPADE).
Alternate director:	Eva María Garza Lagüera Gonda[2]

Series A Directors

José Luis Cutrale	Born:	September 1946
Director	First elected:	2004
	Term expires:	2011
	Principal occupation:	Chief Executive Officer of Sucocítrico Cutrale.
	Other directorships:	Member of the boards of directors of Cutrale North America, Cutrale Citrus Juice, and Citrus Products.
	Business experience:	Founding partner of Sucocitrico Cutrale and member of ABECITRUS (the Brazilian Association of Citrus Exporters) and CDES (the Brazilian Government s Counsel for Economic and Social Development).
	Alternate director :	José Luis Cutrale, Jr.
Carlos Salazar Lomelín	Born:	April 1951
Director	First elected:	2001
	Term expires:	2011
	Principal occupation:	Chief Executive Officer, Coca-Cola FEMSA.
	Other directorships:	Member of the board of directors of BBVA Bancomer and some of its particular financial entities, such as its bank, pension fund management and insurance company. Also, member of the counselor board of Centro Internacional de Negocios Monterrey A.C. (CINTERMEX), APEX and the Eugenio Garza Sada Award.
	Business experience:	Has held managerial positions within FEMSA, including Grafo Regia S.A. de C.V. and Plásticos Técnicos Mexicanos S.A. de C.V. Served as Chief Executive Officer of FEMSA Cerveza until 2000.
	Education:	Holds a degree in Economics from ITESM, a graduate degree in Economic

		Development in Italy from the Instituto di Studio per lo Sviluppo Economico Milano e Napoli and an MBA from ITESM.
	Alternate director:	Max Michel Suberville
Ricardo Guajardo Touché	Born:	May 1948
Director	First elected:	1993
	Term expires:	2011
	Principal occupation:	President of SOLFI, S.A.
	Other directorships:	Member of the boards of directors of Valores de Monterrey, S.A. de C.V. (Valores de Monterrey), BBVA Bancomer, Bimbo, El Puerto de Liverpool, Grupo Industrial Alfa (Alfa), Grupo Aeroportuario del Sureste, S.A. de C.V. (ASUR), Grupo Coppel and FEMSA.

Series A Directors

	Business experience:	Has held senior executive positions in FEMSA, Grupo AXA, S.A. de C.V. (Grupo AXA) and Valores de Monterrey.
	Education:	Holds degrees in Electrical Engineering from ITESM and the University of Wisconsin and a Masters degree from the University of California, Berkeley.
	Alternate director:	Eduardo Padilla Silva
Paulina Garza Lagüera Gonda[3]	Born:	March 1972
Director	First elected:	2009
	Term expires:	2011
	Business experience:	Private investor
	Other directorships:	Alternate director of the board of directors of FEMSA.
	Education:	Holds a Business Administration degree from ITESM.
	Alternate director:	Mariana Garza Lagüera Gonda[3]
Federico Reyes García	Born:	September 1945
Director	First elected:	1993
	Term expires:	2011
	Principal occupation:	Corporate Development Officer of FEMSA.
	Business experience:	Served as Vice President of Finance and Corporate Development of FEMSA, Director of Corporate Staff at Grupo AXA, a major manufacturer of electrical equipment, and Chairman of the board of directors of Valores de Monterrey. Has extensive experience in the insurance sector.
	Other directorships:	Alternate director of the board of directors of Bimbo.
	Education:	Holds a degree in Business and Finance from ITESM.
	Alternate director:	Alejandro Bailleres Gual

Javier Astaburuaga Sanjines	Born:	July 1959
Director	First elected:	2006
	Term expires:	2011
	Principal occupation:	Chief Financial and Strategic Development Officer of FEMSA.
	Business experience:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and Director of Sales for the north region of Mexico. Prior to his current position, was FEMSA Cerveza s Co-Chief Executive Officer.
	Education:	Holds a degree in Accounting from ITESM.
	Alternate director:	Francisco José Calderón Rojas

Series A Directors

Alfonso González Migoya	Born:	January 1945
Independent Director	First elected:	2006
	Term expires:	2011
	Principal occupation:	Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V.
	Other directorships:	Member of the boards of directors of several Mexican companies, including Bolsa Mexicana de Valores, S.A.B. de C.V., Banregio Grupo Financiero, S.A. de C.V. and some of its subsidiaries, Ecko, S.A. and Berel, S.A. Also, alternate director of the board of directors of FEMSA and member of its audit committee.
	Business experience:	Served from 1995 until 2005 as Corporate Director of Alfa.
	Education:	Holds a degree in Mechanical Engineering from ITESM and an MBA from the Stanford Graduate School of Business.
	Alternate director:	Francisco Garza Zambrano
Daniel Servitje Montull	Born:	April 1959
Independent Director	First elected:	1998
	Term expires:	2011
	Principal occupation:	Chief Executive Officer, Bimbo.
	Other directorships:	Member of the boards of directors of Banco Nacional de Mexico and Bimbo.
	Business experience:	Served as Vice President of Bimbo.
	Education:	Holds a degree in Business from the Universidad Iberoamericana in Mexico and an MBA from the Stanford Graduate School of Business.
	Alternate director:	Sergio Deschamps Ebergenyi
Enrique F. Senior Hernández	Born:	August 1943

Director	First elected:	2004
	Term expires:	2011
	Principal occupation:	Managing Director of Allen & Company.
	Other directorship:	Member of the boards of directors of Televisa and Cinemark Corp.
	Business experience:	Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA.
	Alternate director:	Herbert Allen III

Series D Directors

Gary Fayard	Born:	April 1952
Director	First elected:	2003
	Term expires:	2011
	Principal occupation:	Chief Financial Officer, The Coca-Cola Company.
	Other directorships:	Member of the boards of directors of Coca-Cola Enterprises and Coca-Cola Sabco.
	Business experience:	Senior Vice President of The Coca-Cola Company and former Partner of Ernst & Young.
	Education:	Holds a degree from the University of Alabama and is licensed as a Certified Public Accountant (CPA).
	Alternate director:	David Taggart
Irial Finan	Born:	June 1957
Director	First elected:	2004
	Term expires:	2011
	Principal occupation:	President of Bottling Investments Group and Supply Chain, The Coca-Cola Company.
	Other directorships:	Member of the boards of directors of Coca-Cola Enterprises, Coca-Cola Amatil and Coca-Cola Hellenic.
	Business experience:	Chief Executive Officer of Coca-Cola Hellenic. Has experience in several Coca-Cola bottlers, mainly in Europe.
	Education:	Holds a Bachelor s degree from National University of Ireland.
	Alternate director:	Marie Quintero-Johnson
Charles H. McTier	Born:	January 1939
Independent Director	First elected:	1998

Term expires:	2011
Principal occupation:	Trustee, Robert W. Woodruff Foundation.
Other directorships:	Member of the boards of directors of AGL Resources.
Business experience:	Served as a President of Robert W. Woodruff Foundation during the period 1971-2007 and on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s.
Education:	Holds a degree in Business Administration from Emory University.

Series D Directors

Bárbara Garza Lagüera Gonda(3)	Born:	December 1959
Director	First elected:	2009
	Term expires:	2011
	Principal occupation:	Private investor
	Business experience:	Former president/Chief Executive Officer of Alternativas Pacíficas, A.C. (a non-profit organization).
	Education:	Holds a Business Administration degree from ITESM.
	Alternate director:	Geoffrey J. Kelley

Series L Directors

Alexis E. Rovzar de la Torre	Born:	July 1951
Independent Director	First elected:	1993
	Term expires:	2011
	Principal occupation:	Executive partner, White & Case, S.C.
	Other directorships:	Member of the boards of directors of FEMSA (chairman of its audit committee), Bank of Nova Scotia, Bimbo and Grupo ACIR.
	Business experience:	Expert in private and public mergers and acquisitions as well as other aspects of financial law and has been advisor to many companies on international business and joint venture transactions.
	Education:	Holds a Law degree from Universidad Nacional Autónoma de México (UNAM).
	Alternate director:	Arturo Estrada Treanor
José Manuel Canal Hernando	Born:	February 1940
Independent Director	First elected:	2003

Term expires:	2011
Principal occupation:	Private consultant.
Other directorships:	Member of the board of directors of FEMSA, BBVA Bancomer, Banco Compartamos, S.A., ALSEA, S.A.B. de C.V., Kuo, Consorcio Comex and Grupo Proa.
Business experience:	Former managing partner at Ruiz, Urquiza y Cía, S.C. from 1981 to 1999, acted as our statutory examiner from 1984 to 2002, presided in the Committee of Surveillance of the Mexican Institute of Finance Executives, has participated in several commissions at the Mexican Institute of Public Accountants and has extensive experience in financial auditing for holding companies, banks and financial brokers.
Education:	Holds a Public Accounting degree from UNAM.
Alternate director:	Helmut Paul

Series L Directors

Francisco Zambrano Rodríguez	Born:	January 1953
Independent Director	First elected:	2003
	Term expires:	2011
	Principal occupation:	Chief Executive Officer of Desarrollo de Fondos Inmobiliarios S.A. de C.V. (DFI) and Vice-president of Desarrollo Inmobiliarios y de Valores, S.A. de C.V. (DIV).
	Other directorships:	Member of the boards of directors of several